


Agenda Item No:	11	
Committee:	Council	
Date:	9 January 2020	
Report Title:	Creation of Budget Equalisation Reserve and Elections Reserve	

Cover sheet:

1 Purpose

- To seek Council approval to create a Budget Equalisation Reserve and an Elections reserve.

2 Key issues

- In this financial year Cabinet has considered two reports setting out reserve balances currently held by the Council. Cabinet has resolved to recommend the approval of two new reserves, a Budget Equalisation Reserve and an Elections Reserve.
- The Budget Equalisation Reserve would enable the Council to separate year-end underspends and overspends from the Balance held in the General Fund. The balance on the Budget Equalisation Reserve would be available to help the Council balance its budget in future years.
- The Elections Reserve would enable the Council to smooth out the cost of District elections over a 4 year period and avoid the full cost being budgeted and charged to the financial year of the election.

3 Recommendations

It is recommended by Cabinet that:

- Council approves the creation of a Budget Equalisation Reserve and an Elections Reserve for the reasons set out in this report

Wards Affected	All
Portfolio Holder(s)	Cllr Chris Boden, Leader and Portfolio Holder, Finance
Report Originator(s)	Peter Catchpole, Chief Finance Officer and Corporate Director Mark Saunders, Chief Accountant
Contact Officer(s)	Peter Catchpole, Chief Finance Officer and Corporate Director Mark Saunders, Chief Accountant Neil Krajewski, Deputy Chief Accountant
Background Paper(s)	Medium Term Financial Strategy 2019/20 to 2023/24, Council Revenue and Capital Outturn 2018/19

Report:

1 Introduction

- 1.1 The Council presents information regarding its reserve balances throughout the year. The budgeted use of reserves is presented as part of the annual budget-setting process and the year-end balance on reserves is presented as part of the Statement of Accounts.
- 1.2 The Chief Finance Officer is responsible for ensuring the level of reserves held by the Council is adequate. The Chartered Institute of Public Finance and Accountancy (CIPFA) regularly publish guidance to assist Chief Finance Officers in fulfilling this function. In their 2016 publication on the Role of the Chief Finance Officer in Local Government, CIPFA emphasise that the Chief Finance Officer must 'take into account future commitments, resources available and the desirable levels of reserves, to ensure that the authority's finances remain sustainable'.
- 1.3 Under the Council's constitution the Chief Finance Officer is responsible for ensuring that the purpose of each reserve, its usage and the basis of transactions is clearly identified. These cannot be varied without the consent of Cabinet. The constitution provides members of Corporate Management Team with the authority to fund expenditure charged to the revenue account from reserves subject to the ultimate approval of the Chief Finance Officer.
- 1.4 Cabinet considered reports on reserve balances currently held by the Council at its meetings held on 18 July 2019 and 9 January 2020. The latter report includes a recommendation to Council that two new reserves, a Budget Equalisation Reserve and an Elections reserve be created.

2 Creation of a Budget Equalisation Reserve

- 2.1 Throughout the year officers review the Council's in-year financial performance to understand the reasons for any variances against budget. This review includes an evaluation of whether the use of reserves proposed at the start of the year remains appropriate.
- 2.2 At the end of year an assessment is undertaken to finalise which transfers to reserves are required. Currently, once these transfers have been finalised any remaining surplus or deficit is transferred to the General Fund. It is proposed that a Budget Equalisation Reserve be established to recognise separately from the General Fund, year-end underspends or overspends. It is proposed that this reserve is established immediately. The first use of this reserve will be to recognise the underspend of £200,000 reflected in the audited 2018-19 financial statements. This underspend is consistent with that reported to Cabinet in June 2019 as part of the 2018-19 outturn report. The anticipated underspend for the 2019-20 financial year of £142,000 reported to Cabinet on 9 January 2020 as part of a report on the 2020/21 budget estimates, will also be transferred into this reserve. The equivalent process will be followed in each subsequent financial year with an annual transfer to/from the Budget Equalisation Reserve being processed as part of each year's outturn and budget-setting process. This reserve can therefore be used to help the Council achieve a balanced budget.

3 Creation of an Elections Reserve

- 3.1 The Council's system of 'all-out' elections means the Council's budget disproportionately bears the impact of the cost of administering District elections every four years. To address this imbalance, as explained in the aforementioned report on the Council's proposed budget for 2020/21, at the start of the 2020/21 financial year the Council will establish an Elections Reserve. In 2020/21 and each of the following years the Council will budget for an annual sum of £30,000 to contribute to the cost of the next District-wide election. The balance on this reserve will then be utilised in the year the election is held.