



East
Northamptonshire
Council

Finance Sub-Committee 26 March 2014

Council Improvement Reserve

Purpose of report

To provide an overview of the proposed use of the Council Improvement Reserve, set criteria for its use and timescales for progressing proposals during 2014/15.

Attachment(s):

Appendix 1 – Council Improvement Reserve

1. Overview

- 1.1. The Medium Term Financial Strategy (MTFS) for 2014/15 to 2017/18 set out the forecast reserves position for 2013/14 and the future use of reserves over the medium term planning horizon.
- 1.2. In addition to the minimum level (£1.75m), the Council has earmarked reserves which are set aside to mitigate specific risks being faced by the Council. It is important to review the use of earmarked reserves regularly to ensure they meet the needs and priorities of the Council.
- 1.3. Following a review of the earmarked reserves a Council Improvement Reserve was created to allow future investment in activities which reduce the spending pressures being faced by the Council and/or raise additional funding streams which close the funding gap. The annual funding gap is expected to be £2.2m by 2017/18. This gap needs to be closed for the Council to achieve a balanced financial position. This reserve will enable pump priming of proposals to deliver savings.
- 1.4. It was proposed that any drawdown from the Council Improvement Reserves would be on a strict business case basis. The business cases put forward would be subject to approval of the Chief Finance Officer (CFO) and Finance Sub Committee.

2. Criteria for release of funding

- 2.1. The MTFS report to Council in February 2014 set out governance enhancements to manage the risks related to funding the capital programme and ensure the Council does not enter into a long term borrowing position that it is not authorised.
- 2.2. The criteria and process for release of funding via the Council Improvement Reserve are set out in Appendix 1.
- 2.3. The process of approval via business cases will ensure that the Council's reserves are not at risk of being permanently depleted and will be repaid in the future. It will also allow for better transparency and understanding of each future investment from the Council Improvement Reserve.

3. Equality and Diversity Implications

- 3.1. There are no known equalities issues arising from this report.

4. Legal Implications

- 4.1. There are no known legal implications arising from this report.

5. Risk Management

5.1. This risks arising from this report are recorded in the Council’s Risk Register. The risks are subject to regular review and update.

6. Financial Implications

6.1. This report is of a financial nature. There are no financial implications arising from this report.

7. Corporate Outcomes

7.1. This report links to the following Corporate Outcomes:



- Effective Management
Ensuring financial sustainability over the medium term, contributing to the effective management of the Council

8. Recommendations

8.1. The committee is recommended to:

- Approve the criteria set out in Appendix 1.

(Reason – to be able to assess all future business cases seeking funding via the Council Improvement Reserve)

Legal	Power: Local Government Finance Act 1992					
	Other considerations:					
Background Papers: MTFS 2014/15 to 2017/18						
Person Originating Report: Kelly Watson, Finance Manager kwatson@east-northamptonshire.gov.uk						
Date: 12/03/14						
CFO 14.03.2014			MO 14.03.2014		CX	

(Committee Report Normal Rev. 22)

Council Improvement Reserve

AIM

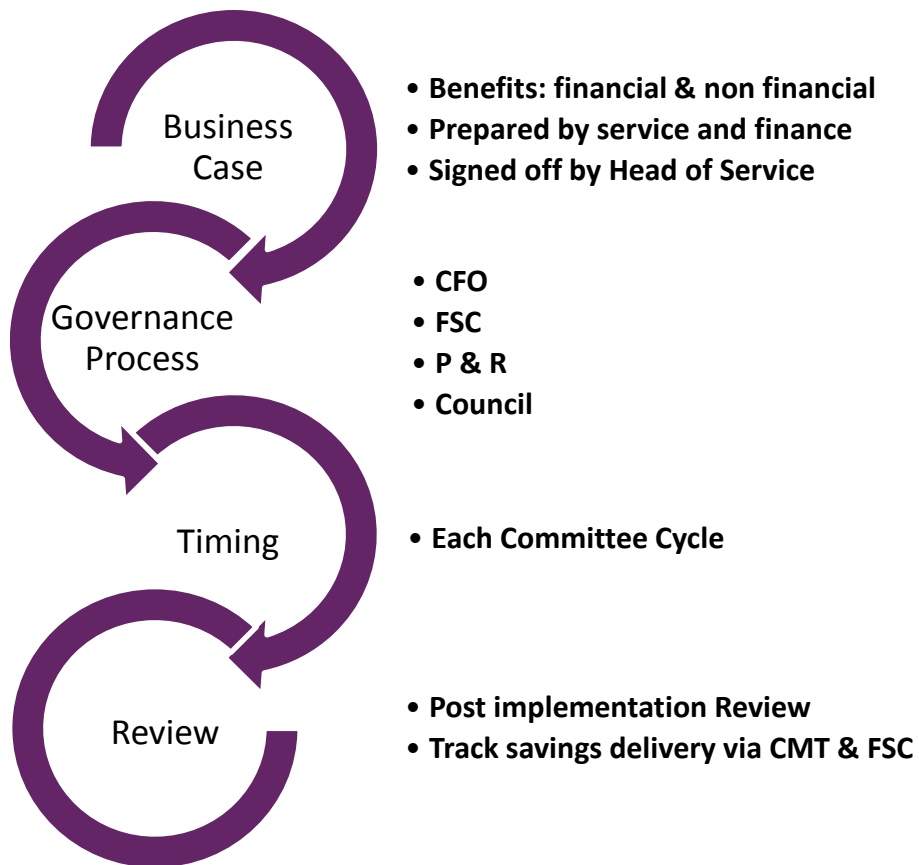
The aim is to provide an upfront investment fund to enable the financial sustainability of the Council in the medium term to:

- Deliver revenue savings (cashable)
- Generate additional/new income streams (cashable)
- Mitigate pressures (non cashable)

CRITERIA

Payback	Within period of MTFS (or up to 10 years in exceptional circumstances)
Return on Investment (RoI)	Positive benefit to revenue budget
Size of Investment	Up to £250k (more may be available on exceptional basis)

How



Timetable

	Cycle One	Cycle Two	Cycle Three	Cycle Four
Business Case Preparation <i>In conjunction with Finance</i>	Apr – May 2014	Apr – Jul 2014	Apr – Oct 2014	Apr – Dec 2014
Chief Finance Officer (CFO)	13 Jun 2014	15 Aug 2014	7 Nov 2014	16 Jan 2015
Finance Sub Committee	7 Jul 2014	8 Sep 2014	1 Dec 2014	9 Feb 2015
Policy & Resources		15 Sep 2014	8 Dec 2014	16 Feb 2015
Council	14 Jul 2014	6 Oct 2014	15 Dec 2014	25 Feb 2015

Examples

Deliver Revenue Savings	Cashable	<ul style="list-style-type: none"> • Further Shared Service Opportunities • Review business processes
Generate additional/new income streams	Cashable	<ul style="list-style-type: none"> • Charging for all discretionary services • Full cost recovery for statutory services
Mitigate Pressures	Non Cashable	<p>Managing future demand pressures within current resources</p> <p><i>E.g. As houses are built and business move into the district there will be additional waste collections, inspections etc. These will cause cost pressures which will need to be managed.</i></p>