

# Holme-next-the-Sea Parish Council

## Reserves Policy

### 1. Introduction

1.1 Holme-next-the-Sea Parish Council (the Council) is required to maintain adequate financial Reserves to meet the needs of the organisation. The purpose of this policy is to set out how the Council will determine and review the level of Reserves.

1.2 Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to have regard to the level of Reserves needed for meeting estimated future expenditure when calculating the budget requirement. However, there is no specified minimum level of Reserves that an authority should hold and it is the responsibility of the Responsible Financial Officer (RFO) to advise the Council about the level of Reserves and to ensure that there are procedures for their establishment and use.

### 2. Types of Reserves

2.1 The Council holds 3 types of Reserves categorised as General, Earmarked or Ring-fenced.

2.2 General Reserves are funds which do not have any restrictions to their use. These Reserves can be used to smooth the impact of uneven cash flows, offset the budget requirement if necessary or can be held in case of unexpected events or emergencies.

2.3 In addition to allowing the Council to manage unforeseen financial pressures and plan for known or predicted liabilities, there is a benefit to holding Reserves in terms of the interest earned on funds which are not utilised. This investment income is fed into the annual budget.

2.4 Earmarked Reserves can be held for several reasons:

- Renewals – to enable the Council to plan and finance an effective programme of equipment and infrastructure replacement and planned property maintenance. These Reserves are a mechanism to smooth expenditure so that a sensible programme of updating and improvement can be achieved without the need to vary budgets. Examples of these are streetlighting improvements, dog-waste bin replacement and new planting on Park Piece.
- Carry forward - of underspend on an identified project which cannot be spent in the budget year. Reserves are used as a mechanism to carry forward these resources.
- Insurance reserve – to enable the Council to meet the excesses of claims not covered by insurance.
- Other Earmarked Reserves may be set up from time to time to meet known or predicted liabilities.

2.5 Ring-fenced Reserves - held for one purpose only and cannot be transferred. For example grants allocated for a specific project only, which may not be used for any other purpose.

## 3. General Reserves

3.1 The primary means of building General Reserves will be through an allocation from the annual budget. This will be in addition to any amounts needed to replenish Reserves that have been consumed in the previous year.

3.2 Setting the level of General Reserves is one of several related decisions in the formulation of the annual budget. The Council must build and maintain sufficient working balances to cover the key risks it faces, as expressed in its financial risk assessment.

3.3 If in extreme circumstances, General Reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Council would be able to draw down from its Ring-fenced Reserves to provide short-term resources.

3.4 Even at times when extreme pressure is put on the Council's finances the Council must keep a minimum balance of 50% of the current budget to meet essential expenditure and contractual commitment.

## 4. Earmarked and Ring-fenced Reserves

4.1 Earmarked Reserves will be established on a "needs" basis, in line with anticipated requirements.

4.2 Any decision to set up a Reserve must be made by the Council and reviewed annually.

4.3 Expenditure from Reserves can only be authorised by the Council.

4.4 Reserves will not be held to fund on-going expenditure. This would be unsustainable as, at some point, the Reserves would be exhausted. To the extent that Reserves are used to meet short term funding gaps, they will be replenished in the following year. However, Earmarked Reserves that have been used to meet a specific liability would not need to be replenished, having served the purpose for which they were originally established.

4.5 Ring-fenced Reserves are held for one purpose only and cannot be transferred. Examples include:

- Community Infrastructure Levy - CIL Regulation 59C sets out that the Council must use CIL receipts passed to it to 'support the development of the local Council's area, or any part of that area, by funding: a) the provision, improvement, replacement, operation or maintenance of infrastructure: or b) anything else that is concerned with addressing the demands that development places on an area.
- S106 Developers Contribution – generated through new housing developments.
- Other ring-fenced funds - for example donations / grants given for a specific item or purpose.

4.6 All Earmarked and Ring-fenced Reserves are recorded on a central schedule held by the RFO which lists the various Earmarked and Ring-fenced Reserves and the purpose for which they are held.

## 5. Current level of financial reserves

5.1 The level of financial Reserves held by the Council will be agreed by the Parish Council during the discussions held regarding the setting of the budget for the next financial year.

5.2 Sums can only be moved between the three Reserves (General, Earmarked or Ring-fenced) by Council resolution only.