



## RESERVES POLICY

### 1. Introduction

The Council is required, under statute, to maintain adequate financial reserves in order to meet the needs of the organisation. Section 50 of the Local Government Finance Act 1992 requires that billing and precepting authorities in England and Wales have regard to the level of reserves needed to meet estimated future expenditure when calculating the budget requirement.

The Council's policy on the establishment, maintenance and adequacy of reserves and balances will be considered annually.

The Council will hold reserves for these three main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of the general reserves;
- A contingency to cushion the impact of unexpected events or emergencies – this also forms parts of general reserves;
- A means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately but remain legally part of the general fund.

### 2. General Fund balance

The general fund balance, commonly termed the 'working balance', is a balance on the council's revenue account which is not held for any specific purpose other than to cushion the council's finances against any unexpected short term problems in the councils cash flow.

The general fund balance is to be maintained at a level based upon a risk assessment carried out annually by the Responsible Finance Officer (RFO) when setting the budget for the forthcoming year. Any surplus on the reserve above the required balance may be used to fund capital expenditure, be appropriated to earmarked reserves or used to limit any increase in the precept.

### 3. Financial Risk Management

In order to assess the adequacy of the general fund when setting the annual budget, the RFO will take account of the strategic, operational and financial risks facing the council. The requirement of the level of the general fund balance for the forthcoming year will therefore be based upon a risk assessment of the council's main areas of income and expenditure and take into account any provisions and contingencies that may be required.

The main items to be considered are:

<b>Financial risk</b>	<b>Analysis of risk</b>
Pay inflation is greater than budgeted	The cost of living increase is above the level allowed for in the estimates.
Contractual inflation is greater than budgeted	A general assumption is made when estimating the percentage increase on rates and utilities. This may increase above budgeted inflation. Professional and other services costs increase above estimate.
Treasury management income is not achieved	The actual interest rate realised is below the rate predicted at budget setting.
Allotment income is lower than budgeted/shortfall in income from fees and charges	Allotment income is lower than budgeted due to lack of user / uptake.
Contingent liabilities are realised	That the council becomes liable to pay an unqualified sum following an uncertain future event.

#### **4. Statutory Reserves**

Local Authorities also hold reserves that arise out of the interaction of legislation and proper accounting practices. At Headley Parish Council these are:

- Developers Contribution Reserves – this reserve holds the proceeds from developments within the parish and can only be used for certain improvements to the parish. These must be approved in advance by EHDC.
- Community Infrastructure Levy (CIL) – this reserve holds proceeds from developments within the parish and can only be used for certain improvements to the parish. They must be spent within a certain time limit. These must be approved in advance by EHDC.

#### **5. Earmarked Reserves**

Earmarked Reserves represents amounts that are generally built up over a period of time which are earmarked for specific items of expenditure to meet known or anticipated liabilities or projects. The 'setting aside' of funds to meet known future expenditure reduces the impact of meeting the full expenditure in one year.

The Council, when establishing an earmarked reserve, will set out:

- The reason / purpose of the reserve;
- How and when the reserve can be used;
- Procedures for the management and control of the reserve; a process and timescale for review of the reserve to ensure continuing relevance and adequacy.

The following earmarked reserves will be held by the council:

<b>Budget</b>	<b>Use</b>
Tennis Court repairs/renewals	Replacement / new surface
EHDC Heatherlands	Refund from EHDC to cover grass cutting costs
Deposits held – Village Green hire	For repairs to village green if damaged caused
Woodlands Play Area maintenance	Replacement / new equipment
Pavilion maintenance	Future repairs
War Memorial	Future repairs / cleaning
Village Green repair	Unexpected works
Field 6 refurbishment	Upgrade of field from agricultural to sports pitches
Fullers Vale Pond	
Trail Fitness equipment	Installation of / repairs
Playground safety surfacing	Repairs and replacement
Football pitch renovations	Repairs / upgrade of pitches
Headley Hill Woods	Unforeseen costs
Election fund	To cover the cost of elections
Christmas Tree lights	Repairs / replacement
Land purchase	Purchase of land within the parish
Devolution of Services	Take over services from EHDC or HCC
CIL payments	Covered in point 4
Nodwood S106 contribution	Covered in point 4
Additional staff	New staff costs
Pension deficit	To cover shortfalls in pension payments

## **6. Review of the adequacy of balances and reserves**

In accessing the adequacy of reserves the strategic, operational and financial risks facing the council will be taken into account. The level of earmarked reserves will be reviewed as part of the annual budget preparation.