

# Haverhill Town Council

## Reserves Policy

Adopted 4<sup>th</sup> November 2014



### 1 Policy Statement

1.1 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. Consideration should also be given to the CIPFA guidance notes on Local Authority Reserves and Balances issued November 2008.

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

1.3 The Council will hold reserves for these three main purposes:

- a) a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing - this forms part of general reserves;
- b) a contingency to cushion the impact of unexpected events or emergencies - this also forms part of general reserves;
- c) 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.

#### 1.4 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 council's 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 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.

### 2 Financial Risk Management

2.1 In order to assess the adequacy of the general fund when setting the annual budget, the Responsible Finance Officer 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. This financial risk assessment will be based upon the following items:

The main items to be considered are:

<b>Financial Risk</b>	<b>Analysis of Risk</b>	<b>Risk Control</b>	<b>Risk level after control measure</b>
Pay inflation is greater than budgeted	The cost of living increase is above the level allowed for in the estimates.	RFO considers past performance and current government policy/state of national negotiations when setting budget	Low – Public Sector pay is subject to long negotiations so the likely outcome is known well in advance of setting the annual budget.
Contractual inflation is greater than budgeted	A general assumption is made when estimating the percentage increase on rates & utilities. This may increase above budgeted inflation.	RFO considers general market conditions and negotiates long-term agreements	Low – We know likely costs from market conditions and these costs form a relatively small part of the overall budget
	Professional and other services costs increase above estimate.	RFO negotiates long-term deals	Low – with long-term deals in place we know costs up-front
Treasury management income is not achieved	The actual interest rate realised is below the rate predicted at budget setting.	RFO and Accountant analyse the market opportunities to maximise income	Low – the budget for income from this source is practically nil, so cannot be underestimated
Seasonal income is lower than budgeted/shortfall in income from fees and charges	That a decrease in revenue is realised from estimate.	RFO, Accountant and Arts Manager analyse past performance to predict future performance. Budgets are set at a low bar to avoid underestimates.	Medium – it is very difficult to make accurate forecasts due to the number of variables, so budget setting is very conservative.
Contingent liabilities are realised	That the Council becomes liable to pay contingent liabilities.	RFO and Arts Manager review the Arts Centre replacement schedule to ensure major outgoings are covered by earmarked reserves.	Low – There is currently an extremely healthy replacement reserve.
Project costs exceed predictions	Projects to which the Council has committed itself incur costs that were not foreseeable	RFO commissions good quality business planning and financial consultants to cost accurately major projects	Medium – Whilst there are reserves set aside for projects the possibility remains that additional costs are only discoverable during works (e.g. asbestos)

### 3 General Reserves

3.1 Local Authorities hold reserves to enable day-to-day operations to continue without the need to resort to short-term borrowing. These general reserves are calculated to cover a delay in the precept arriving and are usually considered to be adequate at a level equivalent to six month's net expenditure.

At March 31<sup>st</sup> 2014 general reserves stood at £119,330. The predicted expenditure for 2014/15 is £870,954 meaning current general reserves represent 49 days' net expenditure.

**3.2 The policy of the Council is to increase general reserves to the equivalent of 3 months' net expenditure by March 31<sup>st</sup> 2016 – a minimum of £209,680 and the precept will be set at a level to achieve this.**

### 4 Statutory Reserves

4.1 Local Authorities also hold reserves that arise out of the interaction of legislation and proper accounting practices. At Haverhill Town Council this is:

- a) Capital Receipts Reserves - this reserve holds the proceeds from the sale of assets, and can only be used for capital purposes in accordance with regulations.

### 5 Earmarked Reserves

5.1 Earmarked reserves represent 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:

- a) the reason/purpose of the reserve;
- b) how and when the reserve can be used;
- c) procedures for the management and control of the reserve;
- d) a process and timescale for review of the reserve to ensure continuing relevance and adequacy.

5.2 The following earmarked reserves will be held by the Council:

Current value at March 31 <sup>st</sup> 2014	Reserve Use	Policy For Use	Management and Control	Review of relevance
£30,000.00	Technical equipment	A sinking fund to smooth the cost of purchases of new technical equipment	To be used as a balance for 4024 Technical Equipment & Consumables. Unspent funds from 4024 to go into this reserve.	The fund is not to exceed the value required for complete replacement of technical equipment.
£0.00	Community Budget grant	?		Delete
£0.00	One Haverhill	Funds earmarked by the council for spending on One Haverhill activity not including H1	Spending authorised by delegated power to the Clerk and Mayor of Council following documented agreement by One Haverhill Board	Annual review
£1,000.00	Arts Centre Website maintenance	A sinking fund to fund any major overhaul of the Arts Centre website	To be used as a balance for 4082 IT website maintenance	The fund is not to exceed £5,000
£1,500.00	A&L Marketing development	A fund to support the cost of upgrading the events section of the Town Council website	To be used under delegated authority to the Clerk	The fund is not to exceed £1,500
£24,000.00	Election reserve	A sinking fund to smooth the cost to the Town Council of elections	To be used as a balance for 4400 Electoral Costs	The fund is not to exceed £20,000
£7,000.00	Environment	A sinking fund to smooth the costs of any expenditure on environmental projects	To be used as a balance for 4450 Environmental	The fund is not to exceed £10,000
£2,270.00	Grit bins	A sinking fund to smooth the cost to the council of provision of grit bins	To be used as a balance for 4453 grit bins	The fund is not to exceed £10,000
£3,385.00	Town signs	?		Transfer balance to Street Furniture maintenance
£244.40	Street Furniture Maintenance	A fund to maintain the street furniture owned by the Council	To be used as a balance for 4457 Street Furniture	The fund is not to exceed £15,000
£30,000.00	Christmas lights	A fund to smooth the cost to the Council of provision of Christmas lights	To be used as a balance for 4460 Christmas Lights	The fund is not to exceed £30,000
£2,000.00	Shopmobility	?		To general reserves
£0.00	Leiston / Chalkstone Support	?		Delete
£27,900.00	Community grants	Funds representing grants committed to third parties by the Council L&C Committee but not awarded yet	To be used for holding funds allocated by the committee but not awarded yet	The fund is to be reviewed annually and any grant deemed not capable of being awarded to be returned to general funds.
£15,931.52	Town Centre Development	To be spent on Town Council activity in the Town Centre	To be used under delegated power by the Leisure and Community Committee	Annual Review
£0.00	Flag festival	?		Delete
£2,000.00	A&L Leisure Development	A fund for new leisure projects	To be used under delegated authority to the Arts Manager	The fund is not to exceed £2000 and is subject to annual review
£1,039.00	Activities for All	A fund to subsidise ticket costs for families known to REACH	To be used under delegated power to the Clerk	Annual Review
£110,412.19	H1 Project (Activities)	To fund the activities to take place at H1	To be used as set out in a relevant budget.	The H1 project is subject to periodic review

£222,894.00	H1 Project (Property)	To fund the capital works relating to the H1 project	Any spending requires full council authorisation except where delegated authority has been given to the Clerk.	The H1 project is subject to periodic review
£300,000.00	Property acquisition fund	To fund the acquisition of property.	Any spending requires full council authorisation	Annual review
£25,000.00	Staffing Reserve	To provide a fund for any liabilities arising not covered in the staffing budgets	To be used as a balance for 4000, 4001 & 4002 salary-related cost centres	The fund is not to exceed 10% of the total staff budget (2015/16=£453,000)
£10,000.00	Accessible Changing Facility	?		Transfer balance to general reserves
£170,000.00	Long-term maintenance provision	To fund large-scale maintenance projects over and above the maintenance programme	To be used for works not covered by the main budget or insurance.	Not to exceed £200,000, subject to a valuation exercise during 2015/16 to better inform long-term maintenance provision.

## 6 Review of the Adequacy of Balances and Reserves

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