

Easingwold Town Council Reserves Policy

1. Introduction

Easingwold Town Council (“ETC”) is required to maintain adequate cash reserves to meet the needs of the Council. The purpose of this policy is to set out how the Council will determine and review the level of reserves.

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 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

Reserves can be categorised as general or specific.

Specific reserves can be held for several reasons:

- Infrastructure – to enable services to plan and finance an effective programme of equipment and infrastructure replacement and to finance specific improvement projects. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.

This type of reserve may include a long-term element as it may take several years to accumulate enough funds to enable a particular project to be undertaken.

At the end of a financial period, such reserves may also include an element of carry forward of underspend where expenditure is committed to projects but cannot be fully spent in that year.

- Other specific reserves may be set up from time to time to meet known or predicted liabilities.

General Reserves are funds which do not have any restrictions as 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.

3. Specific Reserves

Specific Reserves will be established on a “needs” basis, in line with anticipated requirements.

Any decision to set up a reserve must be made by the Council. Expenditure from reserves can only be authorised by the Council.

Specific Reserves should not be held to fund day to day 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 must be replenished in the following year. However, specific 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.

All Specific Reserves should be recorded on a central schedule held by the Responsible Financial Officer which lists the various Specific Reserves and the purpose for which they are held.

Reviewing the Council's Financial Risk Assessment is part of the budgeting and year end accounting procedures and identifies planned and unplanned expenditure items and thereby indicates an appropriate level of Specific Reserves.

4. General Reserves

The level of General Reserves is a matter of judgement and ETC have determined that they should build up the level of General Reserves to reach a level not exceeding 20% of its annual net day to day expenditure from time to time.

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.

Setting the level of General Reserves is one of several related decisions in the formulation of the medium-term financial strategy and 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.

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 Specific Reserves to provide short term resources.

5. Approval

This Reserves Policy was approved by ETC at its meeting held on 15th March 2022.