



# Reserves Policy

## Revision History

<b>Date</b>	<b>Section/Paragraph Changed</b>	<b>Reason for Change</b>
January 2020	Original document	Adopted by Hayle Town Council at Resource Committee Meeting 23 January 2020, Minute R36
July 2024	Annual complete review	Reviewed and adopted by Resource Committee, 25 July 2024
July 2025	Annual complete review	Reviewed and adopted by Resource Committee, 17 July 2025

## 1) Introduction

Hayle Town Council is required to maintain adequate financial reserves to meet the needs of the organisation. The purpose of general reserves is to minimise the possible financial impacts to the authority from:

- Emergencies
- Unforeseen events
- In-year emerging issues

This includes:

- providing protection against risk,
- ensuring contingencies are in place.

- a) The purpose of this policy is to set out how the Council will determine and review the level of its General Reserve. The General Reserve is where all the revenue income and expenditure of the Council is accounted for. It does not include specific funds which have been earmarked for long term projects.
- b) 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 future expenditure when calculating the budget requirement. The amount that councils need or choose to hold in their reserves varies according to local circumstance.
- c) The Good Councillors Guide to Finance and Transparency 2017 suggests that a council should hold between 3- and 12-months expenditure as a general reserve. If the reserve is too low then it may not be enough to cover unexpected expenditure or emergencies, whilst if it is too high then local electors have paid a tax which is not being used for the benefit of the local community.

## 2) Types of reserves

Hayle Town Council maintains two types of reserves.

### a) General Reserves

General reserves or working balances are funds which do not have any restrictions as to their use. These reserves operate as a working balance to help manage the impact of uneven cash flows. They can also be used to smooth the impact of significant pressures, offset the budget requirement if necessary or can be held in case of unexpected events or emergencies. In general, a robust level of reserve should be maintained and should take account of operational and financial issues facing the Town Council.

### b) Earmarked Reserves

Earmarked reserves provide a means of accumulating funds, for use in a later financial year, to meet known or planned policy initiatives and are the subject of a separate review as part of the year end procedures. Typically, they are held for four main reasons:

- renewals

- to carry forward an underspend
- to indicate commitment to a capital project
- to meet known or predicted liabilities

### **3) Adequacy of reserves**

- The assessment of the adequacy of the Council's balances and reserves is based on the guidance note on Local Authority Reserves and Balances, which, whilst there is not a statutory requirement, is considered to set out current best practice with regard to balances and reserves. The guidance states that no case has yet been made to set a statutory minimum level of reserves and that each local authority should take advice from its Responsible Financial Officer and base its judgement on local circumstances.
- A well-run authority with a prudent approach to setting its budget will consider its level of general reserves each year. These general reserves will need to be supported by earmarked reserves for specific needs, contingencies and commitments. In assessing the level of the Town Council's general reserves, account needs to be taken of the risks facing the Council in terms of any significant unforeseen expenditure requirements.

### **4) Financial Responsibility**

- Under Hayle Town Council Standing Orders the Council is responsible for the overall management and control of the Town Council's finances.
- The role of the Council is to review the level of its balances and reserves and make the following decision in respect of general reserves:
  - to consider the level of general reserve to be applied to the precept for each year.

### **5) Role of Responsible Financial Officer**

- It is the responsibility of the Responsible Financial Officer to advise the Town Council about the level of general reserve that it should hold and ensure that it has clear protocols for its establishment and use.
- Hayle Town Council, on the advice of its Responsible Financial Officer, is required to make its own judgments on the level of reserves, taking into account all relevant local circumstances.
- The Responsible Financial Officer has a fiduciary duty to local taxpayers and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.

## 6) General Fund Reserve

- a) The in-year use of general reserves requires Council approval following a recommendation by Resource Committee and must not be used for any level of recurring spending, unless that spending will be included in the Revenue Budget for the following financial year. In all cases the use of reserves should be approved by the Responsible Financial Officer in consultation with the Resource Committee Chairman.
- b) There is no prescribed level of general fund reserves but between 3 to 9 months expenditure ensures adequate provision in the event of any unforeseen occurrence which would affect cash flow.

## 7) Risk Assessment

- a) Identifying the risks allows the Council to take account of the circumstances around current structural change due to service provision and economic circumstance.
- b) Risks can be identified as follows:
  - risks from potential one-off events
  - risks which will have general financial consequences

## 8) Insurance Cover

- a) The greatest risk facing Hayle Town Council is not being able to deliver the activity or services expected of it. The Town Council manages many of the underlying risks when it reviews the robustness of insurance providers, insurance and its systems.
- b) Hayle Town Council actively seeks and secures tailored insurance cover to suit the needs of the Town Council. Employers Liability (£10,000,000), Public Liability (£10,000,000) and Fidelity Guarantee (cover reviewed annually) are statutory requirements under The Compulsory Insurance Act (1969) and S114 of the Local Government Act (1972).

## 9) Assessment of Potential Risks

- a) In all types of undertaking there is the potential for events and consequences that may either be opportunities for benefits or threats to success. Risk management identifies what can go wrong and how to take proportionate steps to avoid this or successfully manage the consequences. The failure to manage risks effectively can be expensive in terms of litigation and reputation, and the ability to achieve desired targets, and, eventually, on the local community's Council Tax bills.
- b) In order to assess the adequacy of unallocated general reserves, it is necessary to place an estimated financial value on the key strategic, operational and financial risks facing the authority and set aside a reasonable provision. The value of the risks to Hayle Town Council have been estimated by:
  - considering the probability of each risk

- considering the range, nature, complexity and scale of the risk
- evaluating the financial consequences of each risk by taking into consideration budgeted figures for income and expenditure
- setting aside amounts where applicable to cover contingencies
- having regard to the provisions made by Town Councils of a similar size and operation

## 10) Conclusion

- a) Reviewing the Council's Financial Risk Assessment is part of the budgeting procedure. It helps to identify planned and unplanned expenditure items and thereby indicates an appropriate level of reserves. Unless subsequent Council policy determines to the contrary (formally documented and minuted) Hayle Town Council's policy as determined at a meeting of Council on 23 January 2020 is to maintain general reserves at a level of not less than three months expenditure and not greater than nine months expenditure. (In determining this policy Council considered The Good Councillors Guide to Finance and Transparency 2017 recommended upper level of twelve months expenditure to be excessive and not in line with advice of NALC or best practice generally in the sector).
- b) 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 forms part of the budget strategy.