

WEST BLETCHLEY COUNCIL

RESERVES POLICY

1. PURPOSE

- 1.1. West Bletchley Council (WBC) 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 50 of the Local Government Finance Act 1992 require local councils 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.

2. TYPES OF RESERVES

- 2.1. Reserves can be categorised as general or earmarked.
- 2.2. **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.
- 2.3. General (ie un-earmarked) revenue reserves usually lie within the range of three to twelve months of gross expenditure. However, the amount of general reserve should be risk assessed and approved by the Council
- 2.4. **Earmarked reserves**, which are set aside for specific purposes and for savings for future projects, should be realistic and approved by the council.
- 2.5. Earmarked reserves can be held for several reasons:
 - Renewals – to enable council to plan and finance an effective programme of vehicle and equipment replacement and planned property maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.
 - Carry forward of underspend - some councils commit expenditure to projects, but cannot spend the budget in year. Reserves are used as a mechanism to carry forward these resources.
 - Other earmarked reserves may be set up from time to time to meet known or predicted liabilities or specific projects.

3. EARMARKED RESERVES

- 3.1. Earmarked reserves will be established on a “needs” basis, in line with anticipated requirements.
- 3.2. Any decision to set up a reserve must be given by the Council.

- 3.3. Reserves should not be held to fund ongoing 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, 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.
- 3.4. All earmarked reserves are recorded on the accounts held by the Responsible Financial Officer which lists the various earmarked reserves and the purpose for which they are held.
- 3.5. 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 Reserves.

4. GENERAL RESERVES

- 4.1. The level of general reserves is a matter of judgement and so this policy does not attempt to prescribe a blanket level. 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.
- 4.2. 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.
- 4.3. 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 earmarked reserves to provide short-term resources.

5. LEVEL OF FINANCIAL RESERVES

- 5.1. The level of financial reserves held by the council will be recommended by the F&GP committee during the discussions held regarding the setting of the budget for the next financial year.

Adopted February 2018