

Report Title: 2023/24 Reserves Policy

Report By: Kit Wheeler

Chief Finance Officer

Purpose of Policy

An essential part of the financial planning process for Hastings Borough Council is a robust and modern policy on the level and nature of reserves.

The policy document attached updates the Council's approach to Reserves in preparation of its Medium Term Financial Strategy and as part of the budget setting process.

Reserves Policy

1. Setting the level of reserves is one of several related decisions in the formulation of the Council's Medium Term Financial Strategy.
2. In establishing and approving the Medium Term Financial Strategy, "the Council will ensure that it maintains a prudent level of reserves in line with best practice and relevant guidelines".
3. Any surplus reserves will be considered in the light of the budget forecast and the risks associated with that forecast.

Financial Planning

4. The starting point will always be the minimum level of General Reserve balance and this is calculated as follows:
 - £1.8m (10% contingency of total Net Expenditure based on 2023/24 Budget)
 - £1.04m (20% Homelessness costs fluctuations)
 - £1.2m (Other unexpected / unforeseen events)

Total = £4.04m (say **£4m**).

It is therefore recommended that the minimum level of General Reserve balance is **£4m**.

5. This base figure will be subject to Annual Review by the Chief Finance Officer in the light of risks within the Medium Term Financial Strategy.
6. In making a recommendation as to the level of reserves which should be maintained, the Chief Finance Officer considers carefully:-
 - The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates, etc.);
 - The authority's track record in budget and financial management including the robustness of the Council's Medium Term Financial Strategy;
 - The authority's capacity to manage in-year budget pressures;
 - The strength of the financial information and reporting arrangements;
 - The adequacy of the authority's insurance arrangements to cover major unforeseen risks.

7. The Council will not hold significant balances above those required by the Medium Term Financial Strategy.
8. The level of earmarked reserves will be reviewed in the preparation of the Medium Term Financial Strategy and again as part of the Closure of Accounts process. The creation of any new earmarked reserves will be subject to Member approval.
9. At the 31st March 2023 the General Reserve balance was **£7.59m** and the Earmarked Reserves balance was **£13.44m**.

Reporting

10. Any recommended changes to the level of reserves held will be reported within the Medium Term Financial Strategy or in the consideration of the Annual Accounts and will take account of the strategic, operational and financial risks facing the authority at that time.
11. In making any recommendation the Chief Finance Officer, will provide Members, (in line with the requirements of the Local Government Act 2003) with an opinion on the robustness of the budget estimates and on the adequacy of the Council's reserves.
12. Any changes to this Policy will require approval by Lead Portfolio Holder for Finance.

Ear Marked Reserves

13. Earmarked reserves are a means of voluntary and prudently building up funds to meet known future or predicted liabilities. When establishing reserves the Council must adhere to the Code of Practice on Local Authority Accounting (the CODE) and in particular the need to distinguish between reserves (set aside for future liabilities) and provisions (mandatory set asides for actual liabilities existing).
14. In approving any new earmarked reserves the Council needs to identify the purpose of the reserve, the protocol for its use and the procedures for its management and control.
15. These will be reviewed as part of the budget setting process and any considered no longer necessary will be highlighted for release back into the General Fund and any in need of amending will be agreed through the proper procedures.

Reserve Levels

	Opening Balance at 1 April 2023 £'000
(1) General Reserve	(7,599)
(2) Capital Reserve	(150)
(3) Renewal and Repairs Reserve	(1,656)
(4) Risk Management Reserve	(315)
(5) Information Technology Reserve	(274)
(6) On-Street Car Parking Surplus Reserve	(40)
(7) Section 106 Reserve (Revenue)	(426)
(8) Revenues & Benefits Reserve	(255)
(9) Countryside Stewardship Reserve	(28)
(10) Monuments in perpetuity	(46)
(11) Ore Valley Reserve	(250)
(12) Invest to save and efficiency Reserve	(87)
(13) Resilience and Stability Reserve	(900)
(14) Redundancy Reserve	(565)
(15) Safer Hastings Partnership Reserve	(98)
(16) Disabled Facilities Grant	(1,374)
(17) Housing Licensing reserve	(277)
(18) Community Housing Reserve	(11)
(19) Controlling Migration	(116)
(20) Towns Fund	(236)
(21) Section 31 - Grant Reserve	(6,336)
Total	<u>(21,039)</u>

1. The General Reserve is used to support revenue spending.
2. The Capital Reserve is earmarked to support capital spending.
3. The Renewal and Repairs Reserve is maintained for the purchase of vehicles, plant, equipment and the repair and redecoration of property.
4. The Risk Management Reserve is used to cover excesses on claims and certain small risks. The object is to minimise insurance premiums providing sufficient cover. It is also a reserve in respect of future MMI insurance liabilities.
5. The Information Technology Reserve is for the purpose of financing the purchase of computing equipment and computer systems required by the Council.
6. On-street car parking surpluses are shared with East Sussex County Council. Shares will be spent on traffic management and transportation issues within the borough.
7. Section 106 Reserve – these are the developers’ contributions to be used to finance various projects.
8. Revenues and Benefits Grants as part of New Burdens.
9. Countryside Stewardship Reserve – is money set aside for the protection and stewardship of the Countryside park in relation to received grant.
10. The Monuments in Perpetuity reserve has been set up to maintain burial plots at the Cemetery.
11. Ore Valley reserve has been set up to fund activity in the area.
12. Invest to save Reserve - To provide future funding for projects which will delivery savings but require upfront funding.
13. Resilience and Stability Reserve- To cushion the impact of fluctuations in business rates income and costs of Council tax reduction scheme.
14. Redundancy Reserve - sum put aside to help meet expected redundancy costs arising in future years.
15. Safer Hastings Partnership - is specifically earmarked to reduce crime, disorder and anti-social behaviour in neighbourhoods and on the streets.
16. Disabled Facility Grant - Funding for disabled adaptations
17. Housing Licensing - To smooth the impact of non-refundable license income received up-front but covering several years.
18. Community Housing – Government grant for us over more than one year. Controlling Migration – To support the impact of migration.
- 19 – Controlling Migration – Funding for Migration Control.
20. Towns Fund – To fund and support the Towns Deal.
21. Section 31 Grant Reserve – Grant received that will be needed in future years to fund deficits on the Collection Fund caused by government policy changes granting new reliefs.

Additional Information

N/A

Officer to Contact

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