

RYE TOWN COUNCIL

DRAFT RESERVES POLICY

Purpose

Rye Town Council 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.

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. The level of reserves required will vary according to local circumstances and will be informed by future expenditure plans.

There is no specified minimum or maximum level of reserves that an authority should hold. It is the responsibility of the Responsible Finance Officer (RFO) and Members to determine the level of reserves and to ensure that there are procedures for their establishment and use.

The Joint Panel on Accountability and Governance Practitioner's Guide (March 2020), published by the National Association of Local Councils (NALC) suggests that a council should hold 3-12 months net revenue expenditure (NRE*) as a **general reserve**. Councils with an annual NRE in excess of £200,000 should aim for a general reserve equivalent to 3 months' NRE; whereas, the smallest councils should be considering holding a general reserve equivalent to 12 months' NRE.

*Calculated as 'precept less loan repayments, less provisions for capital projects, less sums provided specifically to be transferred to earmarked reserves'.

For Rye Town Council, the ideal General Reserve level is c4.5 months' NRE.

Types of Reserve

Rye Town Council maintains two types of reserve.

General

This represents the 'non-ring fenced' (earmarked) balance of Council funds.

The purpose of the General Reserve is to provide a working balance to help manage the impact of uneven cash flows and to provide a contingency to cushion the impact of emerging or unforeseen events.

Earmarked Reserves

These provides a means of accumulating funds for use at a future date to meet known or planned expenditure.

They might include also capital receipts (which may be used for capital expenditure only).

Earmarked reserves will increase through decisions of the Council and will decrease as they are spent on their specific and intended purposes.

A schedule of Earmarked Reserves is maintained on an ongoing basis and a statement of them as at the financial year end is included within the Council's Annual Accounts.

Monitoring and Reviewing of Reserves

Earmarked Reserve provisions will be monitored throughout the financial year and, together with the General Reserve level – will be reviewed formally by the Council annually, when agreeing the Council's Budget for the forthcoming financial year.

This annual process may include the Council agreeing to vire monies between Earmarked Reserves – or transferring monies between the General and Earmarked Reserves.

Adopted 4.5.21