

### Haringey Council

#### Reserves policy

##### Background

- 1 Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to consider the level of reserves when setting a budget requirement. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (Section 151 Officer) to report formally on the adequacy of proposed reserves when setting a budget requirement. The accounting treatment for reserves is set out in the Code of Practice on Local Authority Accounting.
- 2 CIPFA has issued Local Authority Accounting Panel (LAAP) Bulletin No.55, Guidance Note on Local Authority Reserves and Balances. Compliance with the guidance is recommended in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government.
- 3 This note sets out the Council's policy for compliance with the statutory regime and relevant non-statutory guidance.

##### Overview

- 4 The Council's overall approach to reserves will be defined by the system of internal control. The system of internal control is set out, and its effectiveness reviewed, in the annual Statement of Internal Control and in the future incorporated within the Annual Governance Statement. Key elements of the internal control environment are objective setting and monitoring, policy and decision-making, compliance with statute and procedure rules, risk management, achieving value for money, financial management, and performance management.
- 5 The Council will maintain:
  - a general fund general reserve;
  - a housing revenue account (HRA) general reserve; and
  - a number of earmarked reserves.

##### General fund general reserve

- 6 The purpose of the general reserve is to manage the impact of emergencies or unexpected events. Without such a reserve, the financial impact of such events could cause a potential financial deficit in the general fund, which would be severely disruptive to the effective operation of the authority. The reserve should mitigate against immediate service reductions if there were any unforeseen financial impacts.

- 7 The level of the general reserve is a matter for the Council to determine having had regard to the advice of the S151 Officer. The level of the reserve will be a matter of judgement which will take account of the specific risks identified through the various corporate processes. The level will be expressed as a target cash sum over the period of the general fund medium-term financial strategy. The level will also be expressed as a percentage of general fund requirement (to provide an indication of financial context).

### HRA general reserve

- 8 The purpose of the HRA general reserve is similar to the general fund general reserve above except applied to the HRA.

### Earmarked reserves

- 9 The purpose of earmarked reserves is to enable sums to be set aside for specific purposes or in respect of potential or contingent liabilities where the creation of a provision is not required.
- 10 The Council will maintain the following earmarked reserves:
1. schools reserve: the net unspent balance of delegated funds managed by schools;
  2. services reserve: the net unspent balance of service budgets where the Cabinet has agreed that such sums should be carried-forward for use in subsequent years;
  3. insurance reserve: funds set aside to meet internally-insured liabilities where the creation of a provision is not required;
  4. PFI reserve: funds set aside from specific PFI grant from the government to meet payments to be made to the Council's secondary schools PFI provider; this will be required to manage lifecycle funds during the suspended services period;
  5. infrastructure reserve: specific funds set aside for the planned maintenance and renewal of infrastructure assets for IT and Property including the transfer of revenue and capital underspends from year to year;
  6. risk reserve: funds set aside in respect of key financial risks identified through the risk management process, where the creation of a provision is not required;
  7. financing reserve: a reserve to enable multiple-year medium-term financial strategies in the context of the annual budgeting and accounting cycle;

8. debt repayment / capital reserve: used to set aside money that the Council has for repaying outstanding debt in the future or resolving other debt issues, and monies earmarked for future capital funding, and;
9. major repairs reserve (HRA): the balance on this reserve represents the amount unspent of the major repairs allocation (MRA) and will be used to meet housing capital expenditure in future years

### Management and control

- 11 The schools reserve, the insurance reserve, and the PFI reserve are clearly defined and require no further authority for the financing of relevant expenditure.
- 12 The use of all other reserves requires budgetary approval in the normal way.
- 13 All reserves are reviewed as part of the budget preparation, financial management and closing processes.

### Reporting and review

- 14 The Council will consider a report from the S151 Officer on the adequacy of the reserves in the annual budget-setting process. The report will contain estimates of reserves where necessary. The General Purposes Committee will consider actual reserves when approving the statement of accounts each year.
- 15 The Council will review the reserves policy on an annual basis.