

Brixham Town Council

Reserves Strategy



Adopted
Reviewed **May 2018, June 2019, October 2020**

Reserves Strategy

1.0 Town Council Reserves

1.1 The Town Council needs to maintain reserves to protect against risk, ensure contingencies are in place and to support investment in future projects which are beneficial to the town.

1.2 The Reserves Strategy presents information about the requirements to maintain appropriate financial reserves and provides details on the types of reserves and current and predicted balances. The Town Council manages risk by assessing the potential impacts of future events, based on the likelihood that they may occur and the severity of any impact. Mitigating actions are then identified to reduce the exposure and appropriate plans are put in place.

1.3 In summary, the Council are obliged to maintain satisfactory levels of reserves not based solely on one year's financial outturn, but to meet future financial risks. Higher reserves will provide the Council with greater strategic flexibility in future years. The purpose of this strategy is to enable Finance & General Purposes (F&GP) Committee to review the level of reserves to ensure they meet the current and future needs of Brixham Town Council.

2.0 Types of Reserves

2.1 Brixham Town Council maintains two types of reserves.

(a) General Reserve

This represents the non-ring fenced (earmarked) balance of Council funds. The main purposes of the General Reserves are firstly to operate as a working balance to help manage the impact of uneven cash flows and secondly, to provide a contingency to cushion the impact of emerging or unforeseen events or genuine emergencies. In general, a robust level of reserve should be maintained and take account of operational and financial issues facing the Town Council.

Brixham Town Council must have between 3 months and 6 months in general reserves that equal the value of total expenditure.

(b) Earmarked Reserves

This provides a means of accumulating funds, for use in a later financial year, to meet known or planned policy initiatives. Earmarked Reserves will increase through decisions of the Council and will decrease as they are spent on their specific intended purposes.

The purpose of an Earmarked Reserve is to set aside amounts for projects that extend beyond one year or as a contingency against a specific situation occurring. Once an Earmarked Reserve has been established by the Town Council it is the responsibility of the F & GP Committee to ensure funds are spent in line with their purpose. The purpose of each Earmarked Reserve should be reviewed annually to ensure that it is still relevant.

2.2 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.

2.3 A well-run authority with a prudent approach to setting its budget will each year consider its level of general reserves. These general reserves will also need to be supported by earmarked reserves for specific needs, contingencies and commitments. In assessing the level of the Town Council's reserves, account needs to be taken of the risks facing the Council in terms of any significant unforeseen expenditure requirements. Please refer to the Town Council's Financial Risk Management Register.

2.4 Further major elements which could impact adversely on future precepts are:

- Capping of Town Council Precept by HM Government
- Torbay Council, the Billing Authority reducing or withholding the compensation grant through the localisation of council tax benefit support scheme.
- Possible transfer of services from Torbay Council.
- Possible transfer of assets or buildings from Torbay Council.

3.0 Financial Responsibility

Under its Terms of Reference the F&GP Committee is responsible for the overall management and control of the Town Council's finances.

3.1 The role of the Committee is to review the level of its balances and reserves and make the following decisions:

- To recommend the Council to reallocate earmarked reserves which will not be used for the original purpose for which they were established.
- To consider the level of reserves to be applied to the precept for the new financial year and beyond.

4.0 Role of Responsible Financial Officer

4.1 It is the responsibility of the Responsible Financial Officer to advise the Town Council about the level of reserves that it should hold and ensure that it has clear protocols for their establishment and use.

4.2 There is no statutory minimum but there are four significant safeguards in place against the Town Council over committing itself financially: -

- (a) The balanced budget requirement.
- (b) Responsible Financial Officer's S114 Powers.
- (c) The External Auditors responsibility to review and report on financial standing.
- (d) The year-end audit report from the Town Council's Auditor.

4.3 Brixham Town Council, on the advice of their Responsible Financial Officer, are required to make their own judgements on the level of reserves, taking into account all relevant local circumstances. Local circumstances vary. A well-managed authority with a prudent approach to budgeting should operate with reserves in the Town Council's current range given its emerging service responsibilities.

4.4 Finally 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.

5.0 Reserves Statement

Reserves	Taken from Reserves Policy:	
	2019/20	2020/21
General Reserve	£105,791.00	£148,068.60
<i>Ear Marked Reserves:</i>		
Article 4 Directive	£1,950.00	£0.00
Community Healthcare Working Group	£4,640.00	£4,640.00
Community Led Clean up		£3,367.45
Election	£20,000.00	£20,000.00
Information Technology	£2,000.00	£2,000.00
Neighbourhood Plan	£8,993.15	£8,712.84
Red Telephone Boxes (K6)	£6,000.00	£6,000.00
Seasonal Display	£3,653.00	£2,844.63
Shoalstone Pool Maintenance Fund	£36,920.00	£36,920.00
Town Emergency Fund	£5,000.00	£5,000.00
Town Hall Contingency Fund	£40,000.00	£40,000.00
Town Hall Regeneration Fund	£79,388.00	£80,000.00
Youth Projects	£1,000.00	£1,000.00
	£315,335.15	£358,553.52