



Brixham Town Council

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Town Clerk: Mrs Tracy Hallett

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Contact Officer	Tracy Hallett	Job Title	Town Clerk
Report Title	Reserves		

Purpose of Report

To consider the reserves for 2021/22.

Overview

The Town Council needs to maintain reserves to protect against risk (meeting the needs of its operations), ensure contingencies are in place and to support investment in future projects which are beneficial to the town.

The Council's 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.

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 report 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.

The Joint Panel on Accountability and Governance Practitioners Guide (JPAG) (March 2020 edition) advises

“As with any financial entity, it is essential that authorities have sufficient reserves (General and Earmarked) to finance both its day-to-day operations and future plans. It is important, however, given that its funds are generated from taxation/public levies, that such reserves are not excessive.”

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. However, there is no specific minimum level of reserves which an authority should hold, and it is the responsibility of the Responsible Financial Officer to advise the Town Council about the level of reserves and to ensure that there are procedures for their establishment and use.

Types of Reserves

Brixham Town Council maintains two types of reserves.

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.

If in extreme circumstances the General Reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Town Council would be able to draw down from its Ear Marked Reserves to provide short term resources.

Brixham Town Council must have between 3 months and 12 months in general reserves that equal the value of total expenditure.

Earmarked Reserves

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.

Earmarked Reserves shall only be used for the purpose for which they were created:

- Renewals – to enable the planning and financing of an effective program of equipment replacement and property maintenance/refurbishment. The funds required are built up incrementally over several years when considering asset conditions and asset life. They are a mechanism to smooth expenditure without the need to vary budgets.
- Carry forward of underspend on an uncompleted project – expenditure committed to a project but not spent in the budget year. Reserves can be used as a mechanism to carry forward those resources.
- Developers Contributions – proceeds from developers which can only be used for specified purposes.
- Other Earmarked Reserves – these may be set up from time to time to meet known or predicted liabilities

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

- Capping of Town Council Precept by HM Government
- Possible transfer of services from Torbay Council.
- Possible transfer of assets or buildings from Torbay Council.

2020/21 Reserves

Below shows the approved 2020/21 reserves and the balance to date:

	2020/21 Approved	2020/21 Balance
<i>Ear Marked Reserves:</i>		
Community Healthcare Working Group	£4,640.00	£4,640.00
Community Led Clean up	£3,367.45	£1,073.12
Election	£20,000.00	£20,000.00
Information Technology	£2,000.00	£1,500.00
Neighbourhood Plan	£8,712.84	£8,592.84
Red Telephone Boxes (K6)	£6,000.00	£6,000.00
Seasonal Display	£2,844.63	£2,844.63
Shoalstone Pool Maintenance Fund	£36,920.00	£36,920.00
Town Emergency Fund	£5,000.00	£0.00
Town Hall Contingency Fund	£40,000.00	£40,000.00
Town Hall Regeneration Fund	£80,000.00	£80,000.00
Youth Projects	£1,000.00	£1,000.00
	£210,484.92	£202,570.59
General Reserve	£148,068.60	£148,579.07
	£358,553.52	£351,149.66

Recommendations

1. Retain any unspent Brixham Stronger Together monies in the ear marked reserves to ensure that they can continue to offer the mental health support to the community. The 2021/22 budget allows for this as and must be shown in the ear marked reserves.
2. Remove Community Healthcare
3. Retain the balance of any unspent Social Emergency Fund as a Community Recovery fund in Ear Marked Reserves, which includes the approved £3,000 for the Cycle Improvement Scheme.
4. Retain elections because there is a need to either retain as ear marked reserves OR show in budget for an unexpected election costs
5. Increase the Information Technology to £2,000 to allow for the replacement of any unexpected faulty equipment.
6. Retain the balance of the Neighbourhood Plan being the unspent grant monies
7. Reduce Red Telephone Box to £2,000 because the Council has now approved a budget of £2,000. It is anticipated that most of this will be spent prior to the end of the 2020/21 financial year. Therefore, this balance will reduce accordingly.
8. Remove Seasonal Display. Sufficient funds have been allowed for in the 2021/22 budget.
9. Increase Shoalstone Pool Maintenance by £7,500 being the unspent 2020/21 budget
10. Remove the Town Emergency Fund, which has been renamed to the Community Recovery fund
11. Increase the Town Hall Contingency to £60,000. The 2021/22 budget allows for £20,000 from reserves to offset against £20,000 potential repairs and renewals. However, the Council is considering replacing the Town Hall boilers and control panel which is estimated to be in the region of £20,000. This will potential reduce the balance to £0 if unchanged, leaving no funds available for any unexpected major works.
12. Reduce the Town Hall Regeneration fund to £60,000. It should be noted that if Council proceed with the regeneration project, sufficient funds should be allowed for match funding to show potential funders such as the Heritage Lottery Fund that the Town Council is committed to the project.
13. Set the General Reserves to £146,319.33, being the equivalent of 4 months of the total expenditure.

Please see page 4 for a summary of the recommendations.

Summary of Recommendations

	2021/22
<i>Ear Marked Reserves:</i>	
Brixham Stronger Together	£13,720.00
Community Healthcare Working Group	£0.00
Community Led Clean up	£0.00
Community Recovery Fund	£25,453.00
Election	£20,000.00
Information Technology	£2,000.00
Neighbourhood Plan	£8,592.84
Red Telephone Boxes (K6)	£2,000.00
Seasonal Display	£0.00
Shoalstone Pool Maintenance Fund	£44,420.00
Town Emergency Fund	£0.00
Town Hall Contingency Fund	£60,000.00
Town Hall Regeneration Fund	£60,000.00
Youth Projects	£0.00
	£234,185.84
General Reserve	£146,319.33
	£380,505.17

This is an increase to the current reserves balance of £29,355.51. However, it should be noted that this includes the rollover of 2020/21 budget for Brixham Stronger Together and The Community Recovery fund which totals £39,173.