

Brixham Town Council

Reserves Strategy



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Reserves Strategy

1. Town Council Reserves

The Town Council is required to maintain financial reserves to meet the needs of the Council. The purpose of this policy is to set out how the Council will determine and review the level of reserves.

According to the Joint Panel on Accountability and Governance Practitioners Guide (JPAG) (March 2020) it is essential for authorities to have sufficient reserves (general and earmarked) to finance both its day-to-day operations and future plans. It is important, that the reserves are not excessive given that the funds are generated from taxation / public levies.

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.

2. General Reserves

This represents the non-ring fenced (earmarked) balance of Council funds. The main purposes of the General Reserves are 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.

JPAG (March 2020) advised that the general reserves should be maintained between 3 months and 12 months of Net Revenue Expenditure (NRE). The smaller the authority the closer the figure should be to 12 months NRE, the larger the authority the nearer to 3 months. It is important that the Town Council adopt, as a General Reserve policy, the level appropriate to their size and situation and plan their budget so as to ensure that the adopted level is maintained.

3. Earmarked Reserves

Earmarked Reserve will be established on a “needs” basis to set aside amounts for known or anticipated projects and are held for five main reasons:

- Renewals – to enable Council to plan and finance an effective programme of vehicle and equipment replacement and planned property maintenance.
- Carry forward of underspend - some services commit expenditure to projects, but cannot spend the budget in year. Reserves are used as a mechanism to carry forward these resources.
- Trading accounts – In some instances surpluses are retained for future investment.
- Insurance reserve – to meet the estimate of future claims to enable the Council to meet the excesses not covered by insurance.

- Other earmarked reserves may be set up from time to time to meet known or predicted liabilities.

4. Management and Control of Reserves

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 as part of the budget monitoring. The use of Reserves shall be approved by the Town Council.

Where the purpose of an Earmarked Reserve becomes obsolete, or where there is an over-provision of funds, the excess may, on the approval of the Town Council, be transferred to other budget headings within the revenue budget, to General Reserves or to one or more other Earmarked Reserves.

If in extreme circumstances 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.

Setting the level of General Reserves shall be reviewed and agreed by the Town Council as part of the Annual Budget.

Earmarked Reserves shall be reviewed on an individual basis as part of the Annual Budget. Approval for the creation, amendment, cessation or continuation of Earmarked Reserves will be given by the Town Council.

5. Reserves Statement

	2020/21	2021/22
<i>Ear Marked Reserves (Carry forward):</i>		
Brixham Stronger Together		£13,720.00
Community Recovery Fund		£25,453.00
Red Telephone Boxes (K6)	£6,000.00	£2,000.00
<i>Earmarked Reserves (Renewals):</i>		
Information Technology	£2,000.00	£2,000.00
Town Hall Contingency Fund	£40,000.00	£60,000.00
Town Hall Regeneration Fund	£80,000.00	£60,000.00
Shoalstone Pool Maintenance Fund	£36,920.00	£44,420.00
<i>Earmarked Reserves (Other):</i>		
Election	£20,000.00	£20,000.00
Neighbourhood Plan	£8,712.84	£8,592.84
<i>Earmarked Reserves (Removed in 2021/22):</i>		
Community Healthcare Working Group	£4,640.00	£0.00
Community Led Clean up	£3,367.45	£0.00
Seasonal Display	£2,844.63	£0.00
Town Emergency Fund	£5,000.00	£0.00
Youth Projects	£1,000.00	£0.00
	£210,484.92	£234,185.84
General Reserve	£148,068.60	£146,319.33
	£358,553.52	£380,505.17