



Brixham Town Council

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Town Clerk: Mrs Tracy Hallett

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|------------------------|---------------|------------------|---------------------|
| Report Number | 06-2022a | Date | 09.03.22 |
| Report Type | Public | Meeting | Town Hall Committee |
| Contact Officer | Tracy Hallett | Job Title | Town Clerk |
| Report Title | Reserves | | |

Summary

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.

Recommendation

The Finance and General Purposes Committee have considered the 2022/23 reserves and recommend the following:

| | 2021/22 | 2022/23 |
|----------------------------------|--------------------|--------------------|
| <i>Ear Marked Reserves:</i> | | |
| Brixham Stronger Together | £13,720.00 | £0.00 |
| Community Recovery Fund | £25,453.00 | £48,446.00 |
| Election | £20,000.00 | £20,000.00 |
| Information Technology | £2,000.00 | £10,000.00 |
| Neighbourhood Plan | £8,592.84 | £8,593.00 |
| Red Telephone Boxes (K6) | £2,000.00 | £0.00 |
| Seasonal Display | £0.00 | £5,427.00 |
| Shoalstone Pool Maintenance Fund | £44,420.00 | £0.00 |
| Town Hall Contingency Fund | £60,000.00 | £60,000.00 |
| Town Hall Regeneration Fund | £60,000.00 | £100,000.00 |
| Town Lengthsman Vehicle | | £20,000.00 |
| Town Lengthsman Depot | £0.00 | £142,091.00 |
| Youth Projects | £0.00 | £0.00 |
| | £236,185.84 | £414,557.00 |
| General Reserve | £249,964.80 | £136,533.00 |
| | £486,150.64 | £551,090.00 |

Supporting Information

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.

2021/22 Reserves and Balance

| Ear Marked Reserves | Start of Year | Reserve Movement | Current Value |
|-----------------------------|--------------------|-------------------|--------------------|
| Shoalstone Pool Maintenance | £44,420.00 | £44,420.00 | £0.00 |
| Town Hall Contingency | £60,000.00 | £21,962.00 | £38,038.00 |
| Neighbourhood Plan | £8,592.84 | £0.00 | £8,592.84 |
| Town Hall Regeneration | £60,000.00 | £0.00 | £60,000.00 |
| Information Technology | £2,000.00 | £0.00 | £2,000.00 |
| Red Telephone Boxes | £2,000.00 | £1,576.76 | £424.24 |
| Community Recovery | £25,453.00 | £9,167.17 | £16,285.83 |
| Brixham Stronger Together | £13,720.00 | £13,720.00 | £0.00 |
| Elections | £20,000.00 | £0.00 | £20,000.00 |
| | £236,185.84 | £67,958.76 | £145,340.91 |
| General Reserves | | | £346,498.99 |
| Balance in Reserves | | | £491,839.90 |

Reserve Considerations for 2022/23

| | |
|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Town Lengthsman Depot | The Town Council is currently looking for a suitable location. Reserves to cover the first year's outgoings. |
| Town Lengthsman Vehicle | Reserves to cover the purchase / first year's lease of new additional vehicle. |
| Town Hall | No budget has been allowed for unknown general repairs and renewals or H&S requirements. Reserves will need to be set aside for these works. |
| Town Hall Regeneration | Architects have been asked to provide quotes to support the Town Council in upgrading the external fabric of the building, ie cleaning, repointing, new signage and lights. |
| Information Technology | Reserves to allow for new equipment for Council offices and Councillors. |
| Seasonal Display | Community & Environment Committee have requested that the unspent 2021/22 budget (including unspent grant monies received from Torbay Council) is moved to ear marked reserves. |

Cash at Bank (31st December 2021)

| | |
|----------------------------------------------------|--------------------|
| Lloyds Bank Current Account | £339,199.37 |
| Lloyds Business Instant Access | £5,037.34 |
| Cambridge and Counties (120 Day Notice) | £87,747.84 |
| CCLA Public Sector (Deposit Fund) | £76,384.94 |
| Lloyds Bank (32 Day Notice) | £36,245.55 |
| Nationwide (90 Day Notice) | £81,441.34 |
| Balance as at 31st December 2021 | £626,106.41 |

Cash at Bank (Estimated at 31st March 2022)

| | |
|-------------------------------------------------------------|--------------------|
| Cash at Bank 31.12.21 | £626,106.41 |
| Estimated remaining Income | £341.69 |
| Estimated remaining Expenditure | £75,357.99 |
| Estimated Cash at Bank on 31st March 2022 | £551,090.11 |

2022/23 Reserves

It is suggested that the Town Council actions the following:

1. Retain any unspent Seasonal Display monies in the ear marked reserves as requested by the Community & Environment Committee.
2. Retain the balance of any unspent Community Recovery fund in Ear Marked Reserves, which includes the approved £3,000 for the Cycle Improvement Scheme.
3. Retain elections because there is a need to either retain as ear marked reserves OR show in budget for an unexpected election costs
4. Increase the Information Technology to £10,000 to allow for the investment of equipment.
5. Retain the balance of the Neighbourhood Plan being the unspent grant monies
6. Remove Red Telephone Box.
7. Increase the Town Hall Contingency back to £60,000.
8. Retain the Town Hall Regeneration fund at £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.
9. Set the General Reserves to £136,533, being the equivalent of 4 months of the total expenditure.

Based on the above suggestions, the 2022/23 reserves will be as follows:

| | 2021/22 | 2022/23 |
|----------------------------------|--------------------|--------------------|
| <i>Ear Marked Reserves:</i> | | |
| Brixham Stronger Together | £13,720.00 | £0.00 |
| Community Recovery Fund * | £25,453.00 | £48,446.00 |
| Election | £20,000.00 | £20,000.00 |
| Information Technology | £2,000.00 | £10,000.00 |
| Neighbourhood Plan | £8,592.84 | £8,593.00 |
| Red Telephone Boxes (K6) | £2,000.00 | £0.00 |
| Seasonal Display ** | £0.00 | £5,427.00 |
| Shoalstone Pool Maintenance Fund | £44,420.00 | £0.00 |
| Town Hall Contingency Fund | £60,000.00 | £60,000.00 |
| Town Hall Regeneration Fund | £60,000.00 | £100,000.00 |
| Town Lengthsman Vehicle | | £20,000.00 |
| Town Lengthsman Depot | £0.00 | £142,091.00 |
| Youth Projects | £0.00 | £0.00 |
| | £236,185.84 | £414,557.00 |
| General Reserve | £249,964.80 | £136,533.00 |
| | £486,150.64 | £551,090.00 |

* Made up as follows:

| | |
|------------------------------------------------------------------------------------------------------------------------|-------------------|
| Unspent 2021/22 Reserves | £16,285.83 |
| Current unspent 2021/22 budget (less Torbay Council Christmas grant) <i>Please note that this figure may change</i> | £32,160.20 |
| | £48,446.03 |

** Made up as follows:

| | |
|--------------------------------------------------------------------------|------------------|
| Unspent 2021/22 budget <i>Please note that this figure may change</i> | £2,861.17 |
| Unspent Torbay Council Christmas Grant | £2,565.78 |
| | £5,426.85 |