

Brixham Town Council

Reserves Strategy



Date of Adoption	May 2017
Reviewed	May 2018, June 2019, October 2020, February 2021, February 2022, February 2023
Next Review Date	February 2024
Issue Number	V4
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Reserves Strategy

Introduction

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 2023) it is essential for authorities to have sufficient reserves (general and earmarked) to finance both its day-to-day operations and future plans.

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

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 2023) 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 genuine and identifiable purposes and projects, and are subject to review and justification (at least annually and at budget setting) and should be separately identified and enumerated. Significant levels of EMRs in particular may give rise to enquiries from internal and / or external auditors. 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

Movements in Earmarked Reserves and General Reserves shall be reported to the F&GP Committee as part of the budget monitor documentation. The use of Reserves shall be approved by the Town Council.

The level of General Reserves shall be reviewed on an annual basis during the annual budgetary review and agreed by the Town Council. The minimum level of General Reserves shall be recommended to the Town Council by the Town Clerk (who is the Responsible Financial Officer). This will form part of the recommendations for the Annual Budget and Precept request by the Town Council and is currently set at four months' operational costs.

Earmarked Reserves shall be reviewed on an individual basis. Approval for the creation, amendment, cessation or continuation of Earmarked Reserves will be considered by the F&GP Committee and ratified by the Town Council.