



## RESERVES POLICY

### WRITTEN BY:

Mrs Sarah Haydon, Chief Officer

### REVIEWED:

March 2021

### APPROVAL DATE:

Finance Strategy and Management Committee – 23 March 2021

Town Council – 13 April 2021

### REVIEW DATE:

March 2022

## INTRODUCTION

1.1 Biddulph Town Council is required to maintain adequate financial reserves to meet the needs of the organisation.

The purpose of this policy is to set out how the Council will determine and review the level of reserves.

There is no specified minimum level of reserves that an authority should hold. It is the responsibility of the Responsible Financial Officer and the Members of the Council to determine the level of reserves and to ensure that there are procedures for their establishment and use.

1.2 The Local Government Finance Act 1992 requires local precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

All councils should continue to ensure that their reserves remain adequate for planned future needs and contingencies without placing undue constraints on current expenditure.

Councils with very high levels of reserves relative to their spending should review the purposes for which these are held to ensure they are still required.

This document forms part of this review process, which is reviewed, and risk assessed annually.

## PROVISIONS

2.1 Reserves can be categorised as '**general**' or '**earmarked**'.

2.2 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 reserves should be maintained and consider operational and financial issues facing the Town Council.

The Council must at all times keep a minimum balance sufficient to pay salaries to staff and associated expenses e.g. National Insurance, tax contributions and pensions. In addition, any contractual arrangements should be maintained for a period of time.

Biddulph Town Council has approved that the value of general reserves equates to 50% of the precept value.

2.3 **Earmarked or 'specific' Reserves** can be held for several reasons. As the name suggests these represent amounts which are 'earmarked' for specific items of expenditure to meet known or predicted liabilities or projects.

Earmarked Reserves can be used to "smooth" the effects of certain expenditure commitments over a period of time, thereby reducing the impact of significant expenditure in any one year.

Earmarked Reserves are typically held for:

- Renewals - used to plan and finance an effective programme of equipment replacement, planned property repair and maintenance or grounds maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.
- Medium to long-term projects - in this instance, the Council will make provision over a number of years for large-scale projects such as the purchase of burial land or public realm and infrastructure projects.
- Carry forward of under-spend - some expenditure budgeted for projects in a given financial year cannot be spent in that year. Reserves are used as a mechanism to carry forward these resources.

- Insurance reserve - to enable the Council to meet the excesses not covered by insurance.

The Town Council has responsibility 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.

2.4 The Council will be required to identify the following when making recommendations for each reserve:

1. The reason/purpose of the Reserve.
2. How and when the Reserve can be used.
3. Any procedures for the Reserve's management and control.
4. A process and timescales for review of the Reserve to ensure continuing relevance and adequacy.

2.5 In order to **assess the adequacy** of Reserves when setting the budget, both the Responsible Financial Officer and the Committees should take account of the strategic, operational and financial risks facing the Committee/Council.

The financial risks should be assessed in the context of the Council's overall approach to risk management.

The Responsible Financial Officer should ensure that the Council has put in place effective arrangements for internal audit of the control environment and systems of internal control.

## APPENDIX A - MARCH 2021 LEVEL OF RESERVES

### Current Level of Financial Reserves

Figures below are based on estimated reserves as at January 2021.

**General Reserves allocation (day-to-day expenditure)**

**£185,000**

### Earmarked Reserves Projects:

|   |         |
|---|---------|
| Slater Street allotment development                                     | £5,000  |
| Youth facilities, inc. detached youth worker                            | £3,000  |
| Development of Station Road (inc. purchase of land and mining memorial) | £50,000 |
| Tourism enhancements inc. Biddulph map/ trail and Walkers are Welcome   | £5,000  |
| Heritage and restoration  | £10,000 |
| Environment and Climate Change  | £5,000  |
| Biddulph Grange Country Park Visitor Centre refurbishment               | £20,000 |
| Town Hall clock repairs   | £2,000  |
| IT enhancements   | £5,000  |
| Cenotaph/ centenary events and maintenance                              | £3,000  |
| Footpath enhancements   | £3,000  |
| Additional Christmas lights   | £4,000  |
| Covid-19 recovery projects  | £3,000  |
| EON lighting improvements/ repairs                                      | £5,000  |

| <b>Town Hall (and toilet blocks) Development:</b>  |                 |
|--|-----------------|
| Town Hall external lighting, electrics and TV  | £15,000         |
| Town Hall internal development   | £20,000         |
| Management/ maintenance of bus hub and old toilet block  | £20,000         |
| Improvements to accommodate new tenants  | £5,000          |
| <b>Neighbourhood Plan implementation:</b>  |                 |
| Projects to include: <ul style="list-style-type: none"> <li>· shop front grants scheme</li> <li>· capital/ public realm projects</li> <li>· car park charges project</li> <li>· support for traders</li> </ul> | £160,000        |
| Highways Development (implementation of 'quick wins')  | £50,000         |
| <b>Burial Grounds:</b>   |                 |
| Garden of Remembrance development  | £52,000         |
| Future burial area   | £65,000         |
| Projects   | £50,000         |
|  | <b>£560,000</b> |
| <b>TOTAL</b>   | <b>£745,000</b> |

In August 2020, Biddulph Town Council completed the asset transfer of the Town Hall, Bus Hub and Biddulph Grange Country Park Visitor Centre from Staffordshire Moorlands District Council. To enable effective forecasting going forward, close analysis will be required to understand the day-to-day costs of managing these buildings. This may necessitate expenditure from Earmarked Reserves.