



ST. ANNE'S ON THE SEA TOWN COUNCIL

FINANCIAL RESERVES POLICY

1. Town Council Reserves

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

Sections 31A, 32 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

The Responsible Finance Officer (RFO) has a duty to report on robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003) when the authority is considering its budget

The Reserves Policy 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. A risk report will be submitted to the Council on an annual basis.

The purpose of this Policy is to enable the Council to review the level of reserves to ensure they meet the current and future needs of St. Anne's Town Council.

The assessment of the adequacy of the Council's balances and reserves is based on the guidance note on Local Authority Reserves and Balances, which whilst there is not a statutory requirement, is considered to set out current best practice with regard to balances and reserves. The guidance states that no case has yet been made to set a statutory minimum level of reserves and that each local authority should take advice from its RFO and base its judgement on local circumstances.

2. Types of Reserves

St. Anne's Town Council maintains two types of reserves;

a) Earmarked Reserves

This provides a means of accumulating funds, for use in a later financial year, to meet known or planned policy initiatives. Earmarked Reserves will increase through decisions of the Council and will decrease as they are spent on their specific intended purposes.

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 RFO 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.

b) 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.

A well-run authority with a prudent approach to setting its budget will each year consider its level of general reserves. These general reserves will also need to be supported by earmarked reserves for specific needs, contingencies and commitments. In assessing the level of the Town Council's reserves, account needs to be taken of the risks facing the Council in terms of any significant unforeseen expenditure requirements

3. Purpose of General Fund Reserves

The purpose of general reserves is to minimise the possible financial impacts to the authority from; emergencies, unforeseen events and ad hoc emerging issues during the year.

4. General Fund Reserve – Risk Assessment

Identifying the risks allows the Council to take account of the circumstances around current structural change due to service provision and economic circumstances.

Risks can be identified as; risks from potential one-off events; risks which will have general financial consequences and actions that need to be in place to minimise the potential for financial support.

5. Assessment of Potential Risks (*not covered by insurance*)

The outcome of this analysis has been to place an estimated total value on the range of risks that may arise, and which are not covered by insurance.

No	Risk	Effects/Action	Value of Risk
1	Loss of staff including long term sickness	Council could not function effectively Additional advertising costs to attract staff Pay for staff cover or redundancy	£20,000
2	Major Loss of Service through fire/flood structural damage	Premises not operational	£10,000
3	Insurance Claims	Insurance Claims not met Ensure good claims management	£5,000
		Allotments, uninsurable losses	£5,000
3	ICT Security/data corruption	Loss of service robust security policies, backup, firewalls and off-site electronic document storage	£3,000
4	Unanticipated legal costs	Legal costs that cannot be recovered	£10,000
5	Election Reserve	Reserve to meet potential future Election Costs/By-election or town poll	£5,000
6	Christmas Lights	Loss of lights due to disrepair Future financial provision to Ensure	£15,000
		Total	£73,000

6. Role of Responsible Finance Officer

It is the responsibility of the Responsible Finance Officer (RFO) to advise the Town Council about the level of reserves that it should hold and ensure that it has clear protocols for their establishment and use.

There is no statutory minimum but there are four significant safeguards in place against the Town Council over committing itself financially;

- A balanced budget requirement
- RFO S114 Powers
- The External Auditors responsibility to review and report on financial standing
- The year-end audit report from the Town Council's Internal Auditor

St. Anne's Town Council, on the advice of their RFO, are required to make their own judgements on the level of reserves, considering all relevant local circumstances. Local circumstances vary. A well-managed authority with a prudent approach to budgeting should operate with reserves in the Town Council's current range given its emerging service responsibilities.

It is the responsibility of the RFO to ensure reserves are spent in line with their purpose. Where expenditure is planned in future accounting periods, it is prudent to build up reserves in advance.

The RFO has a fiduciary duty to local taxpayers and must be satisfied that the decisions taken on balances and reserves represent responsible stewardship of public funds.

7. Summary

General Reserves should not reach the level of the precept, but many town and parish councils are moving towards having general reserves that are close to 50% of annual precept.

St Anne's on the Sea Town Council has, in past years, reduced its balances by not increasing the precept to meet its total operating costs; i.e. not setting a balanced budget. This is not a sustainable situation.

The total reserves of £73k suggested above represents 32% of precept at the present time.

The figure for General Reserves is obtained from Assessment of Potential Risks (*not covered by insurance*), section 5 and will be reviewed on a yearly basis.

John Nightingale Responsible Finance Officer and Kevin Martin - Town Clerk

Policy to be presented to Council at its meeting on November 17th, 2020