

WEM TOWN COUNCIL RESERVES STRATEGY 2021-22

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.

The 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.

The Council are obliged to maintain satisfactory levels of reserves not based solely on one year's financial expenditure, but to meet future financial risks. Higher reserves will provide the Council with greater strategic flexibility in future years. The purpose of this strategy is to enable the Committee to review the level of reserves to ensure they meet the current and future needs of Wem Town Council.

Types of Reserves

Wem Town Council maintains two types of reserves.

(a) 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.

(b) 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 Council 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.

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 Responsible Financial Officer and base its judgement on local circumstances.

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.

Future transfers of services from Shropshire Council and any capital requirements for the management of the Council's assets and buildings need to be considered.

Further major elements which could impact adversely on future precepts are:-

- Capping of Town Council Precept by HM Government
- Additional transfer of services from Shropshire Council

Financial Responsibility

Under its financial regulations the Town Council as a whole is responsible for the overall management and control of the Town Council's finances however the Finance and Corporate Governance Committee has included within its terms of reference the following

To review the level of its balances and reserves and make the following decisions:-

- To recommend the Council to reallocate earmarked reserves which will not be used for the original purpose for which they were established.
- To consider the level of reserves to be applied to the precept for 2020/21 and beyond.

Role of Responsible Financial Officer

It is the responsibility of the Responsible Financial Officer 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) The balanced budget requirement.
- (b) Responsible Financial Officer's S114 Powers.
- (c) The External Auditors responsibility to review and report on financial standing.
- (d) The year-end internal audit report from the Town Council's Auditor.

Wem Town Council, on the advice of their Responsible Financial Officer, are required to make their own judgements on the level of reserves, taking into account all relevant local circumstances which can 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.

Finally the Responsible Financial Officer has a duty to local taxpayers and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.

General Fund Reserves

Purpose

The purpose of general reserves is to minimise the possible financial impacts to the authority from:-

- Emergencies.
- Unforeseen events.
- In year emerging issues.

The in-year use of general reserves requires Council approval and must not be used for any level of recurring spending, unless that spending will be included in the Revenue Budget for the following financial year. In all cases the use of reserves should be approved by the Town Council.

Opening Balance

At 31.3.21 Wem Town Council held a general reserve of £ 235,964

General Fund Reserve – Risk Assessment

Financial risks facing authorities will vary and in the case of Wem Town Council the impact of taking on new assets and services is still presenting the potential for significant emerging risk. 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 follows:-

- Risks from potential one-off events.
- Risks which will have general financial consequences.
- Actions need to be in place to minimise the potential for financial support.

| Assessment of Potential Risks | Effects/Action | Value of Risk |
|--|---|----------------|
| Loss of Income | Substantial disruption of income streams – toilet income / cemetery / allotments. | £5,000 |
| | Income from fees/charges affected by economic conditions locally and nationally. | £5,000 |
| Recruitment Plans | Additional advertising costs to attract staff, Agency staff. | £5,000 |
| Major Loss of Service through fire/flood structural damage | Office not operational/robust disaster recovery plan. Severe Weather – staffing, materials costs/robust emergency plan. Insurance Claims –good claims management. | £10,000 |
| ICT Security/data corruption | Loss of service/robust security policies and firewalls. | £5,000 |
| Legal Costs/Industrial relations | Costs relating to service provision. | £10,000 |
| Overall Risk Quantified | | £40,000 |

Earmarked Reserves**Purpose**

The purpose of earmarked reserves is:-

- To prevent an uneven impact on the precept, by allowing reserves to be set aside for specific projects and contingencies.
- To set aside amounts for projects that extend beyond one year.

It is the responsibility of the Responsible Financial Officer in consultation with the Town Council to ensure reserves are spent in line with their purpose. The most commonly established earmarked reserves and the rationale behind why such reserves are created are as follows:-

| Category of Earmarked Reserve | Rationale |
|--|---|
| Sum set aside for major schemes, such as building projects, asset purchases etc. | Where expenditure is planned in future accounting periods, it is prudent to build up reserves in advance. |

Each earmarked reserve held by Wem Town Council will identify:-

- The purpose of the reserve
- How and when the reserve can be used
- A process and timescale for review of the reserve to ensure continuing relevance and adequacy.

Wem Town Council holds no capital reserves.

2021-22 Earmarked Reserves

The Town Council's Earmarked Reserves were reviewed at a meeting of the Finance and Corporate Governance Committee held on 22.6.21 and the recommendations from this committee were approved at the Full Council meeting held on 24.6.21.

As at 1.10.21 The Town Council's earmarked reserves are as follows

| Earmarked Reserves | Amount | Purpose | Last Reviewed |
|---|---------|--|---|
| Bulmer Cottage Reserve Fund | £45,311 | From sale of Bulmer Cottage for Expenditure on Recreation Ground/ Swimming Pool/ Butler Sports Centre | Annually June 2021 |
| Developers Contributions Account | £35,175 | Provision of play equipment funds from development | Annually June 2021 |
| Transformation Approved 27.4.17 increased 24.6.21 | £33,000 | New asset development including Morgan Library | Annually July 2020 |
| Streetlighting remaining allocation from £60,000 LED conversion approved 27.4.17 | £21,480 | Column replacement | Annually July 2021 – expenditure due by 2023 for column replacement |
| Neighbourhood fund Maintain for upgrading play equipment on the Recreation Ground (approved at Full Council on 12.12.19). | £24,882 | Includes 2021-22 allocation | Annually July 2021 some expenditure to be allocated for new slide |
| Elections Approved 26.4.18 | £5,024 | Election costs maintain cost of 1 election per ward approx. £5152 (2017 cost) | Annually next elections 2025 |
| Pensions Approved 26.4.18 | £8,846 | Future pension increases | Annually next 3 year pension review 2023 |
| Highways Projects Oneway System 2019-20 Budget | £1,386 | Experimental one way system Chapel Street, Leek Street, | Annually July 2021 - |
| HGV Signs | £500 | HGV Signage | Signs installed - potential to be removed |
| Total | £1886 | | |
| Mental Health Support project | £8,000 | Cllr Granger's Mayors charity fund £1000, Connexus Grant, £5000 Rotary Donation £2000, Robert Hill Trust donation £1000 to be put towards a mental health initiative in the town | Balance to be spent by July 22 |
| Cemetery Extension Approved 30.7.20 | £8,000 | Extension of cemetery | Annually June 2021 |
| Public toilets - maintenance Approved 24.9.20, reduced 24.6.21 | £5,000 | Covid-19 Rates Grant towards future maintenance / upgrades | Annually June 2021 |

| | | | |
|---|-----------------|--|--|
| Recreation Ground Toilets Approved 24.6.21 | £9700 | work on recreation ground toilets reopening/ conversion/demolition | Annually June 2021 |
| Christmas Lights Approved 24.9.20 | £1212 | For lease of lamppost light display - 2 years remaining | Annually June 2021 – balance to be spent by 2021 |
| Lamp post poppies Approved 24. | £75 | Balance from poppy project | Balance to be returned to general reserves 2022 |
| Office move Approved 24.6.21 | £5000 | Costs associated with relocation of Council office | Annually June 2021 – balance to be spent by 31.12.21 |
| Play equipment Approved 24.6.21 | £5400 | Purchase of new slide recreation ground | To be spent by 31.12.21 |
| Skate park Approved 24.6.21 | £2000 | 2022-22 budget allocation to build up reserve for new skate park | Annually June 21 long term project |
| Seat | £-8 | Seat purchase | Balance spent overspend to be corrected. |
| Total earmarked | £219,984 | | |

This review clarifies the Council's Reserves position which will be further assessed during 2021/22.

Approved

Mayor