

WEM TOWN COUNCIL RESERVES STRATEGY 2023-24

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 31.3.22 Wem Town Council held a general reserve of £ 259,344

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.	£20,000
	Income from fees/charges affected by economic conditions locally and nationally.	£5,000
Recruitment Plans	Additional advertising costs to attract staff, Agency staff.	£10,000
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		£60,000

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.

2023-24 Earmarked Reserves

The Town Council's Earmarked Reserves were reviewed at a meeting of the Finance and Corporate Governance Committee held on 23.5.23 and the recommendations from this committee were approved at the Full Council meeting held on 25.5.23.

As at 30.6.23 The Town Council's earmarked reserves are as follows

Earmarked Reserves	Amount 30.6.23	Purpose of reserve, How and when the reserve can be used	Review
Bulmer Cottage Reserve Fund	£31,034	From sale of Bulmer Cottage for Expenditure on Recreation Ground/ Swimming Pool/ Butler Sports Centre	Annual
Developers Contributions Account	£34,835	From S106 contributions from development for the provision of play equipment and equipment to maintain public open spaces	Annual
Transformation Approved 27.4.17	£35,741	Town Council asset upgrades can be used towards maintaining existing assets or taking on new assets	Annual
Streetlighting	£24,673	Column replacement	Annual - anticipated to be spent during 2023-24
Neighbourhood Fund	£30,756	Neighbourhood Fund should be spent within 3 years of receipt. To date only £2300 of NF funds has been spent on the purchase of a see saw	Quarterly review
Elections	£5024	Election costs	Annual
Pensions	£7572	Future pension increases	At 3 Year pension valuation
Play Equipment	£2500	Upgrade / replace play equipment	Annual
Recreation Ground Toilets	£6600	For use on unanticipated maintenance on recreation ground toilets	Annual
Swimming pool Liner	£5000	Towards costs of replacement pool liner and associated works.	To be spent in 2023
Highways	£1886	Towards general highways projects that may benefit the town	Annual
Heads up Project	£23,583	To Fund Heads Up Mental Health Project running in Thomas Adams, allocation of	£10,250 from the Thriving families grant to be spent in 2023
Cemetery Extension	£6440	Extension of cemetery	To be spent in 2023-24

Public Toilets 24.9.21	£5000	For use on unbudgeted maintenance on car park toilets	Annual
Christmas Festival	£500	Towards the running of the 2023 festival	To be spent in 2023
Lamp post poppies 26.11.20	£180	To cover replacement lamppost poppies	Annual
Skate Park	£6000	To build up funds to replace skate ramps	Annual
Blooming Wem	£500	For use on floral planter replacements / upgrades or maintenance	Annual
Staffing	£57.78	Staff overtime	To be removed 2023
Wem Economic Forum	£1610	Balance of funds from WEF bank account	Annual
Recreation Ground Railings	£10,000	To be used to repair / replace recreation ground railings.	To be spent 2023-24
Total	£239, 495		

This review clarifies the Council's Reserves position which will be further assessed during 2023/24.