

WEM TOWN COUNCIL RESERVES STRATEGY

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 should have 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 2018/19 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. 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.

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.

Reserves Statement at 31st March 2018

Earmarked Reserve	Amount
Bulmer Cottage	£97,056
Developers reserve fund	£2,481
Transformation	£2000
Street Lighting	£21480
Hospitality Fund	£15
General Reserves	£152,476
Capital Reserves	0
Total	£275,509

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 following 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 1st April 2018 Wem Town Council held a general reserve of £152,476.

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 Income from fees/charges affected by economic conditions locally and nationally.	1,000 2000
Recruitment Plans	Additional advertising costs to attract staff, Agency staff.	1,000
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	6000

ICT Security/data corruption	Loss of service/robust security policies and firewalls.	5000
Legal Costs/Industrial relations	Costs relating to service provision.	5000
Overall Risk Quantified		20000

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 extends 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.
- Be reviewed at least annually.

Opening Balance

At 1st April 2018, Wem Town Council holds Earmarked Reserves of £123,033

Analysis of Earmarked Reserves 2018

Earmarked Reserve	Amount	Use
Bulmer Cottage	£97,056	From sale of Bulmer Cottage for Expenditure on Recreation Ground/ Swimming Pool/ Butler Sports Centre
Developers reserve fund	£2,482	Provision of play equipment
Hospitality Fund	£15	
Transformation	£2000	Asset upgrades
Streetlighting	£21480	Upgrade of streetlights

The purpose of capital reserves is to:-

- Minimise risk from potential emergency spending requirements on assets.
- Support investment plans.

Wem Town Council holds no capital reserves.

2018-19 Earmarked Reserves

On 26.4.18 the following earmarked reserves for 2018-19 were agreed

Earmarked Reserve	Amount	Use
Bulmer Cottage	£97,056	From sale of Bulmer Cottage for Expenditure on Recreation Ground/ Swimming Pool/ Butler Sports Centre
Developers reserve fund	£2,482	Provision of play equipment
Hospitality Fund	£10	
Transformation	£2000	Asset upgrades – to be reviewed Jan 2019
Streetlighting	£21480	Upgrade of streetlights
CCTV	£2259	CCTV grant
Elections	£5000	Election costs
Neighbourhood Fund	£2760.49	From CIL contributions

Conclusion

Overall the Council is holding reserve balances due to the following reasons:-

- Upgrade Streetlights
- Use of Bulmer Cottage Funds for future maintenance of Butler Sports centre / Swimming Pool buildings
- Provision of additional play equipment
- Provision of cost for 1 election (based on 2017 election costs)
- Neighbourhood Fund
- Unspent CCTV Grant for camera upgrades
- Current and future asset upgrades
- Prudent overstatement of future budget requirements following transfer of services/ assets from Shropshire Council as true costs of asset management is unclear.
- The risks associated with delivering the services acquired from Shropshire Council are still being assessed and it is considered prudent to retain these levels of reserves in the early stages of negotiation

This review clarifies the Council's Reserves position which will be further assessed during 2018/19.

Approved 26.4.18

Mayor