

Reserves Policy

Contents

1. Introduction.....	2
2. Types of Reserves.....	2
3. General Reserve	2
4. Earmarked Reserves	3
5. Current Levels of Financial Reserves	4
6. Review.....	5

Document History

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1. Introduction

1.1 Gainsborough Town Council is required by statute to maintain financial reserves sufficient 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.

1.2 The Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide, which sets out the 'proper practices' for how the Council must maintain its accounts, recommends that the minimum level of general reserves should be between three and twelve months of net revenue expenditure. Net revenue expenditure is defined as precept, less amounts included in precept for loan repayment, capital projects & transfers to reserves. For an authority of the Council's size, it states that the lower end (three months, or 25%) is appropriate.

1.3 The Council's Internal and External Auditors review the Council's reserves and their justification annually.

1.4 This policy sets out how the Council will manage its reserves and is separate to the Council's Investments Policy which sets out how the Council will hold its reserves.

2. Types of Reserves

2.1 Gainsborough Town Council maintains two types of reserves: General Reserves and Earmarked Reserves.

2.2 Earmarked reserves can be held for several reasons:

- Renewals – to enable services to plan and finance an effective programme of vehicle, equipment and infrastructure replacement, planned property maintenance and identified projects.
- A mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.
- Carry forward of underspend on an uncompleted project - some services commit expenditure to projects but cannot spend the budget in year. Reserves are used as a mechanism to carry forward these resources.
- Developers Contributions – proceeds from developers that can only be used for specified purposes.
- Other earmarked reserves may be set up from time to time to meet known or predicted liabilities.

2.3 General reserves represent the non-ring fenced (earmarked) balance of Council funds which do not have any restrictions as to their use. The main purposes of the general reserve is firstly to operate as a working balance to help manage the impact of uneven cash flows and avoid unnecessary temporary borrowing, secondly, to provide a contingency to cushion the impact of emerging or unforeseen events or genuine emergencies and thirdly to act in an agile manner.

2.4 In general, a robust level of reserve should be maintained and take account of operational and financial issues facing the Town Council.

3. General Reserve

3.1 General reserves can be used as and when required for purposes determined and approved by the Council.

3.2 The primary means of building a general reserve will be through the reallocation of funds e.g., where a project comes in under budget or through an allocation from the annual budget.

3.3 The general reserve will be replenished as part of the budget process in any year where it has been utilised for unexpected/emergency expenditure.

3.4 Any budget surplus at the end of the financial year is transferred to general reserves.

3.5 Virements from general reserves may be approved during the financial year to fund a specific requirement or to resolve a budget deficit issue, on the approval of the Council.

3.6 The level of general reserves is a matter of judgement and so this policy does not attempt to prescribe a blanket level. The primary means of building general reserves will be through an allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves that have been consumed in the previous year.

3.7 If in extreme circumstances general reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Council would be able to draw down from its earmarked reserves to provide short term resources.

3.8 Even at times when extreme pressure is put on the Council's finances the Council must keep a minimum balance sufficient to always pay two month's salaries to staff and one month's financial commitments in general reserves.

4. Earmarked Reserves

4.1 The Council may build up funds and establish ringfenced (earmarked) reserves for any reason where it reasonably believes it may incur expenditure in the future and are and restricted for use for a specific purpose or project.

4.2 Earmarked reserves are accounted for separately but remain legally part of the general fund. Earmarked reserves will increase through decisions of the Council and will decrease as they are spent on their specific intended purposes.

4.3 When an earmarked reserve is established, a clear reason/purpose should be set out, together with how and when the funds are expected to be used. It is the responsibility of the Responsible Finance Officer (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.

4.4 Where the purpose of an earmarked reserve becomes obsolete, or where there is an over-provision of funds, the excess may, on the approval of the Council, be transferred to other budget headings within the revenue budget, to general reserves or to one or more other earmarked reserves.

4.5 Any decision to set up a reserve must be made by the Council.

4.6 Expenditure from earmarked reserves can only be authorised by the relevant Committee (see 12 of Structure and Functions).

4.7 Reserves should not be held to fund on-going expenditure. This would be unsustainable as, at some point, the reserves would be exhausted. To the extent that reserves are used to meet short term funding gaps, they must be replenished in the following year. However, earmarked reserves that have been used to meet a specific liability would not need to be replenished, having served the purpose for which they were originally established.

4.8 All earmarked reserves are recorded on the finance software which lists the various earmarked reserves and the purpose for which they are held.

4.9 The Council's current earmarked reserves are detailed at 5.1 of this policy.

5. Current Levels of Financial Reserves

5.1 Current level of Financial Reserves (at 1st April 2023) The current total level of Reserves is £608,638.52.

£210,953.40 General Reserves

£397,685.12 Earmarked Reserves.

Reserve	Amount	Reason
General Fund	210,953.40	
Mayors Charity Account	0.00	
Roses AWP Sinking Fund	59,500.00	
Roses Key Deposits	950.00	
Marshalls Key Deposits	700.00	
Levellings Key Deposit	0.00	
Allotment Officer	26,000.00	
Staff Training	2,000.00	
Community Grants	4,840.00	
Election Costs	22,000.00	
Governance Support / Recruitment	2,500.00	
Richmond House Maintenance	26,000.00	
Richmond House Conservatory replacement	15,000.00	
Richmond Park Toilet Renov	1,583.57	
Richmond Park Compound Fence	4,000.00	
General Tree Maintenance & Survey	15,700.00	
General Footpath/Road Maintenance	38,650.00	
General Litter Bin refurb / replacement	2,000.00	
General Green Waste Removal	5,500.00	
Electrics, Boiler, Solar	5,500.00	
Marshalls Pavilion Maintenance		
Marshalls Ditch Clearance	8,000.00	
Marshalls & Levellings Grounds Maint & Renovations	2,000.00	
Cemetery Topple Testing	15,118.00	
Cemetery Boundary Fence Maint.	5,000.00	
Cemetery Woodland Burial	2,000.00	
Sinking Fun Cemetery Extension B Land	47,000.00	
General Play Equip Maint.	10,500.00	
Wet Pour Repairs	1,000.00	
Levellings Future Development	16,295.50	
Levellings Pavilion Maint.	2,217.17	
Levellings Defibrillator	400.00	
Aisby Walk Skate Park repairs	18,000.00	
Silver Street Sculpture Maint	1,000.00	
Allotments Site Maintenance & promotion	6,000.00	

Showfield Allotment Wall Maintenance	2,000.00	
North Warren Allotment Fence	5,200.00	
Foxby Hill Allotment Asso Funds	108.07	
Kings Coronation event	4,012.76	
CIL	19,410.05	

6. Review

6.1 The Council's policy on the establishment, maintenance and adequacy of reserves and balances will be reviewed annually by the Finance and Strategy Committee.