



LISKEARD COUNCIL
WORKING FOR YOU

LISKEARD TOWN COUNCIL RESERVES POLICY

1. INTRODUCTION

The Town Council is required to maintain adequate financial reserves 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.

There is no specified minimum level of reserves that an authority should hold.

2. TYPES OF RESERVES

Liskeard Town Council maintains two types of reserves:

Designated Reserves (also known as Ear Marked Reserves)

This provides a means of accumulating funds, for use in a later financial year, to meet known or planned policy initiatives.

Designated Reserves will increase through decisions of the Council and will decrease as they are spent on their specific intended purposes.

The purpose of a designated Reserve is to set aside amounts for projects that extend beyond one year or as a contingency against a specific situation occurring. Where expenditure is planned in future accounting periods, it is prudent to build up reserves in advance.

When a designated 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 designated reserve should be reviewed annually to ensure that it is still relevant.

The Council may hold an Election Reserve, as all reasonable costs of holding town council elections can be fully recharged by Cornwall Council. In the case of contested elections in all three wards the costs can be relatively high (approximately £10,000 in 2017). The maximum value should be no more than £10,000, the balance to be met from annual revenue. This should be accumulated in tranches annually between whole council elections years, with a view to reaching the maximum in the year before whole council elections are due.

General Reserves

This represents the non-ring fenced (designated) 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 unexpected inflation, emerging or unforeseen events, unusual circumstances 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 designated 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.

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.

It is recommended in the 'Good Councillor's Guide to Finance and Transparency' to hold between 3 and 12 months expenditure as a General reserve. However, if the general reserve is too high then local electors have paid a tax which is not being used for the benefit of the local community, and the level will need to be justified to the external auditor. According to the Joint Panel Accountability and Governance Practitioners' Guide smaller authorities will need a figure closer to 12 months, while authorities with income and expenditure over £200,000 should plan towards 3 months expenditure. The appropriate level will relate to the size, situation and risks of the individual authority. Authorities with significant self-generated income should take into account situations that may lead to a loss in revenue as well as increased costs and adapt their general reserve accordingly.

Liskeard Town Council has three large freehold buildings (two listed) within the conservation area which provide added risk, and approx. 15% of its income is self-generated.

A General Reserve covering 6 months revenue expenditure (approx. £330,000 in 2023/2024) is considered appropriate for Liskeard Town Council, but the RFO will advise the Town Council on the level of reserves it should hold. The level of the General Reserve should not exceed the annual precept and will be determined by an assessment of potential risks. The level of the General Reserve should be reviewed each year as part of the budgeting process.

Balancing the annual budget by drawing on reserves must be viewed as a legitimate short-term option only. Such reserves must not be deployed to finance recurrent expenditure.

3. BUDGET ASSUMPTIONS AND RISKS

When budgeting and reviewing reserve requirements the council must make assumptions and assess possible identifiable risks which include the following:

- The level of inflation and interest rates
- Salary and benefit reviews negotiated by the National Joint Council for Local Government Services
- Loss of staff
- Revaluation and changes to required funding for the LGPS
- The level and timing of revenue and capital receipts
- Planned efficiency savings/gains
- Financial risks inherent in any new project

- Legislation changes
- One-off events
- Demand led pressures
- Uninsurable losses
- Availability of other funding sources e.g. grants
- Capping of Town Council precept by central government
- Civil emergencies

The Council undertakes an annual Financial Risk Assessment and has insurance in place to protect against possible identifiable insurable losses.

4. SUMMARY

All reserves will be reviewed annually.

The RFO will advise the Council on the level of reserves required to fulfil its obligations

Policy adopted by Council on 26 May 2020

Policy reviewed by Council 25 April 2023

Review by April 2026