LOOE TOWN COUNCIL

KONSEL TRE LOGH

Reserves Policy

V2 Adopted by Council:

31st March 2025

Next Review: September 2025

LOOE TOWN COUNCIL

RESERVES POLICY

1 Introduction

The Town Council is required by statute to maintain financial reserves sufficient to meet the needs of the organisation and in addition has statutory limitations on how it spends certain receipts which it must ensure are accounted for separately to the Council's general funds.

1.2 Whilst there is no statutory minimum (or maximum) level of reserves, the Council has no power to hold revenue reserves other than those for reasonable working capital needs or specific earmarked purposes.

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 Investment Policy which sets out how the Council will hold its reserves.

1.5 The Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide, which sets out the 'proper practices' for how the Council should manage their finances. This guidance states;

Reserves

As with any financial entity, it is essential that authorities have sufficient reserves (general and earmarked) to finance both their day-to-day operations and future plans.

All reserves should be reviewed and justified regularly (i.e. at least annually). It is good practice to transparently publish both the level and rationale of all reserves.

General Reserves

The general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances.

The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure.

The reason for the wide range is to cater for the large variation in activity level between individual authorities. The smaller the authority, the closer the figure may be to 12 months *expenditure, the larger the authority, the nearer to 3 months. In practice, any authority with income and expenditure in excess of £200,000 should plan towards 3 months equivalent general reserve.*

In all of this it is important that each authority adopt, as a general reserve policy, the level appropriate to their size, situation, risks and plan their budget so as to ensure that the adopted level is maintained. Consideration of the minimum level of reserves requires not only consideration of level of income and expenditure but also the risks to that income.

Authorities with significant self-generated income (other than the precept or levy) should take into account situations that may lead to a loss in revenue as well as increased costs and adapt their general reserve accordingly.

Earmarked and other reserves:

None of the above in any way affects the level of earmarked and/or capital receipts reserves that an authority may or should hold.

There is, in practice, no upper or lower limit to EMR/CRRs save only that they must be held for genuine and identifiable purposes and projects, and their level should be subject to regular review and justification (at least annually and at budget setting) and should be separately identified and enumerated. Significant levels of EMRs in particular may give rise to enquiries from internal and/or external auditors.

2 Types of Reserve

2.1 Reserves can be categorised as general or earmarked.

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 and planned property maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.

- Carry forward of underspend – sometimes funds will be committed to deliver projects but then cannot be spent in a budget in year. Reserves are used as a mechanism to carry forward these resources.

- Insurance reserve – to enable the Council to meet the excesses of claims not covered by insurance.

- Other earmarked reserves may be set up from time to time to meet known or predicted liabilities.

2.3 General Reserves are funds which do not have any restrictions as to their use. These reserves can be used to smooth the impact of uneven cash flows, offset the budget requirement if necessary or can be held in case of unexpected events or emergencies.

3 General Reserve

3.1 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.

3.2 The Council must build and maintain sufficient working balances to cover the key risks it faces, as expressed in its financial risk assessment.

3.3 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.

3.4 Even at times when extreme pressure is put on the Council's finances the Council must keep a minimum balance of 25% of the gross expenditure.

4. Level of Financial Reserves

4.1 For Looe Town Council this figure is ***£610,177*** in the 2024/25 financial year, made up as follows:

- General Reserves at least 25% of its gross expenditure (£140,000).

- The level of financial reserves held by the Council will be monitored by the Council's Finance and Strategy Committee.

5. Earmarked Reserves

5.1 The Council may establish ringfenced earmarked reserves for any reason where it reasonably believes it may incur expenditure in the future. The Council's current earmarked reserves are detailed below.

CCTV

The Council maintains a CCTV system in the town. This is an aging system which will need to be replaced. Council will also need to explore if additional capacity is required. Once the system has been renewed the council will continue to require reserves to fund future renewals and improvements.

Amount held in ER = £40,000

Wheeled Sports Facility

A reserve to meet short, medium and potential long-term costs of the wheeled facility was agreed by Council 8/4/24.

Amount held in ER = £25,000

Business and Learning Initiatives

Council agreed 20/2/23 to hold ear marked reserves to fund the preliminary work and business plan associated with the Business and Learning project.

Amount held in ER = £70,000

Assets maintenance and renewal

The Council has responsibility for 5 public conveniences, library and council offices, three properties that are rented a small car park adjacent to the council offices and a patients' car park on a repairing lease with Cornwall Council. In addition, the Council is responsible for directional signage, two bus stops and numerous benches. All of these assets require maintenance and renewal.

In January 2025 Council agreed that once the cost of implementing toilet barrier charging had been recouped toilet income would be used to maintain and renew these assets. Consequently, in future years there will be a specific ER reflecting toilet income.

Amount held in ER = £257,037.90

Devolution

The Council has an historic 'wish list' of land and amenities that they would like to be devolved to the Council. There is uncertainty about when and if these land and amenities will be devolved and equally what other opportunities might emerge in future years. A contingency sum is held in earmarked reserves to help facilitate the acquisition of assets if they become available.

Amount held in ER = £64,000

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6. Capital Receipts and Grants Reserves

6.1 Capital receipts and grants are subject to statutory restrictions requiring they only be used for specific expenditure.

6.2 We will hold a capital and grant receipts reserve to ensure these receipts are separately accounted for.

6.3 Currently held for the financial year 2024-25

Capital receipts/grant Reserves	
Community Infrastructure Levy- CIL	£2,551.54
Royal British Legion- War Memorial	£550.00
Town Vitality grant	£0.00
Warm Space grant	£402.06
Coca-Cola legacy- match funded -outdoor gym equipment	£6,500.00
Looe Food Festival	£4,135.50
	£14,139.10

7. Review And Variation To Policy

8.1 This policy will be reviewed annually by the Finance and Strategy Committee as part of setting the council budget.

8.2 Where it determines there is justification for doing so, the Finance Committee (or Council) may make decisions which are at variance to this policy.