

## **POLICY TITLE**

Reserves Policy

## **DATE**

18<sup>th</sup> January 2023

## **REPLACES POLICY**

March 2022

## **POLICY AIM**

To ensure the appropriate level of reserves are maintained

## **EXECUTIVE SUMMARY**

Skegness Town Council (STC) is required, under statute, to maintain adequate financial reserves to meet the needs of the organisation. Section 50 of the Local Government Finance Act 1992 requires local precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

Reserves comprise three types:-

### **Earmarked**

Those reserves that are set aside to counter specific known risks. An example would be the election reserve which is maintained due to the risk of an unplanned by-election.

### **Ring Fenced**

Those reserves that are set aside for a specific purpose. An example would be grants from third parties that can only be used for the designated purpose.

### **General Reserve**

The General Reserve is there to safeguard the Council against unexpected and unbudgeted events or emergencies. Whilst these are unknown events, risk management activities can assist in identifying the types, scale and frequency of risks that may occur.

The Governance and Accountability for Smaller Authorities in England guides that the General Reserve should be kept at a level of between three and twelve months' Net Revenue Expenditure. There is a wide range to reflect the large variation in size of Councils and their individual circumstances taking into consideration risk levels. Net Revenue expenditure is classified as the precept less any loan repayment or capital expenditure.

## **POLICY STATEMENT**

STC will maintain its General Reserve at the lowest level above the recommended minimum that is commensurate with its assessed level of risk as calculated annually at budget setting time.

Ear marked reserves will be for specific purposes set out at the time of establishment and reviewed annually at budget setting time.

## IMPLEMENTATION

The General Reserve stood at £178,951 at the beginning of the Financial Year (1/4/2022).

Less projected overspend in 2022/23	£14,400
Less approved transfer to Capital Reserve	£26,000
Add budgeted increase to General Reserve (2022/3)	£ 6,000
 Projected end of year General Reserve	 £144,551

<b>Heading</b>	<b>Comment</b>	<b>Amount</b>
<b>TEST 1 - JPAG Test</b>		
Total anticipated precept		£617,375
Value of loan repayments		£66,500
<b>Net Revenue Expenditure (NRE)</b>		<b>£550,875</b>
 <b>3 Months NRE (minimum Recommended not taking account of risks)</b>		 <b>£137,718</b>
<b>12 Months NRE (minimum Recommended not taking account of risks)</b>		<b>£550,875</b>

### Potential Risk Areas (volatility test)

Volatility of expenditure	5% (inflation variation)	£37,893
Vulnerability of non-precept income	Car park increase + 25% of other	£43,463
Loss of key staff for 3 months	Supervisors and Finance	£30,000
TG Contract overspend/cashflow	10% contract sum	£50,000
DEFRA Cemetery	Provision for works	£12,000
	<b>Total</b>	<b>£173,356</b>

## MONITORING

The policy will be monitored in the following ways:

<b>MONITORING ACTIVITY</b>	<b>PERSON RESPONSIBLE</b>
Quarterly check of the tests set out	RFO – reporting to Management Committee if the test is no longer met

## POLICY CONSULTATION

None

## POLICY APPROVAL

For approval by the Council on 18th January 2023.

## **RELATED POLICIES & STRATEGIES**

Risk Management

## **REVIEW DUE**

January 2024 and at least annually thereafter.