



BRAUNSTONE TOWN COUNCIL

Serving the communities of Braunstone Town and Thorpe Astley

RESERVES POLICY

Purpose

1. Braunstone Town Council is required to maintain adequate financial reserves to ensure that the Council and its services are able to function.
2. The purpose of this policy is to set out how the Council will determine and review the level of reserves.

Principles

3. Braunstone Town Council will only maintain reserves for the following reasons:
 - a capital receipt from the sale of land or assets to be invested in capital projects identified in the Capital Plan;
 - commuted sums for the transfer of Public Open Spaces to offset significant one-off increases in precept and/or to invest in capital projects identified in the Capital Plan;
 - grants and/or loans received for delivering capital projects identified in the Capital Plan;
 - earmarked funds to meet the Council's Medium Term Financial Forecasts or for unexpected capital expenditure or emergencies;
 - earmarked funds received which are designated for a specific purpose, e.g. donations to the Town Mayor's Charity;
 - a sum approximately equal to 3-6 months of Net Revenue Expenditure should be maintained as the General (non-earmarked) Reserve, in accordance with good practice; and
 - other reserves which are earmarked for special purposes or future development, or to meet commitments, will be maintained as necessary.
4. Where, during and at the end of a financial year, an underspend occurs then the priority is to rebuild balances to ensure there is at least 3 months rather than find alternative spending. Therefore, except where there is a requirement or in exceptional circumstances, the underspend against the annual budget will be used to increase the level of the Council's general fund balances at the end of the financial year.

Scope

5. The Responsible Financial Officer will apply this policy when advising and reporting to Policy & Resources Committee and Council on using, maintaining monitoring and replenishing reserves.
6. Notwithstanding Section 50 of the Local Government Finance Act 1992; in adopting this Policy, it is the Council's intention that both Policy & Resources

Committee and Council will operate with the framework and comply with the provisions of this policy when making decisions concerning the use, maintenance, monitoring and replenishing of reserves.

Types of Reserve

7. There are two types of reserve:
 - **General (Fund) Reserves** can be used as and when required for purposes determined and approved by the Council; and
 - **Earmarked Reserves** are funds 'ring fenced' for a specific purpose or project; this can either be allocated by the Council or restricted by law or some other conditions (e.g. grant award or donations to the Town Mayor's Charity).

General Fund Reserves

8. The general reserve comprises the Council's cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances.
9. The Joint Panel on Accountability and Governance Practitioners' Guide advises that authorities with income and expenditure in excess of £200,000 should maintain a minimum level of general reserve at three months of net revenue expenditure. The maximum maintained should not exceed twelve months of net revenue expenditure.
10. The Council should review the level general reserve to ensure it is appropriate to the size of operation, situation and risks and should plan the budget so as to ensure that the adopted level is maintained.
11. The minimum level of reserves requires not only consideration of level of income and expenditure but also the risks to that income. Where there is significant self-generated income (other than the precept), the Council should take into account situations that may lead to a loss in revenue as well as increased costs and adapt the general reserve accordingly.

Earmarked Reserves

12. Earmarked Reserves must be held for genuine and identifiable purposes and must be separately identified on the accounts.
13. An "identifiable purpose" includes funds towards delivering the Capital Plan, whether individual identifiable projects or for capital projects generally. However, the amounts earmarked must be justifiable and proportionate.
14. The level of Earmarked Reserves will be subject to review and justification as part of the Medium Term Priorities and Financial Planning Process and when setting the annual budget and precept.
15. Subject to the above; there is, in practice, no upper or lower limit to the number or amounts held in Earmarked Reserves.

Monitoring Reserves

16. A summary financial report will be submitted to Policy & Resources Committee, at least quarterly, to include details of reserves and cash held at the bank.
17. The level of general reserve should be reviewed against the budget outturn figure during the financial year and measures identified to ensure that expenditure and income is both monitored and managed where the general reserve falls below the equivalent of three months net expenditure.

Managing Reserves

18. Changes in earmarked reserves shall be approved by Policy & Resources Committee as part of the budgetary control process. The exception is where a matter is reserved to Council to determine, in which case Policy & Resources Committee will recommend changes to earmarked reserves for the Council to approve.
19. Earmarked Reserves restricted by law or some other conditions (e.g. grant award or donations to the Town Mayor's Charity) cannot be transferred to the General Fund or Earmarked for another purpose.
20. Earmarked Reserves can be transferred to the General Fund or Earmarked for another purpose where:
 - a) the funds were allocated by Policy & Resources Committee/Council; and
 - b) the funds are not committed (e.g. a completed project which has underspent).
21. During the budget year, unspent amounts in revenue budgets can be moved to an earmarked reserve with the approval of the Policy & Resources Committee, having considered fully forthcoming and ongoing commitments and the implications for public services.

Maintaining Reserves

22. Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
23. While there is no specified minimum level of general reserves; Braunstone Town Council will hold a minimum level of general reserve equivalent to three months of net revenue expenditure.
24. Therefore, the Responsible Financial Officer, when preparing both the Medium Term financial forecast and annual budget estimates, will not propose the use of reserves to meet general expenditure where to do so would result in the level of general fund reserves falling below the equivalent of three months net expenditure.

25. Notwithstanding Section 50 of the Local Government Finance Act 1992, in adopting this Policy, it is the Council's intention that both Policy & Resources Committee and Council, in determining both the Medium Term financial forecast and setting the budget and precept, will not approve the use of reserves to meet general expenditure where to do so would result in the level of general fund reserves falling below the equivalent of three months net expenditure.

26. Where the level of general fund reserve falls or is predicted to fall below the equivalent of three months net expenditure, then the Responsible Financial Officer as part of the Medium Term financial forecast and annual budget setting will put forward proposals to replenish the general fund reserve in the following two financial years.

Review of the Policy

27. This Policy will be reviewed at least annually by Policy & Resources Committee and Council as part of the Medium Term Priorities and Financial Planning Report.

DATE ADOPTED	21st March 2024	REVIEW DATE	November 2024
REVISED DATE/S			