



# **OTTERY ST MARY TOWN COUNCIL**

## **RESERVES POLICY**

*APPROVED AT MAY 2017 FULL COUNCIL MEETING*

*REVIEWED AND APPROVED AT THE 1<sup>ST</sup> OCTOBER 2018 FULL COUNCIL MEETING*

*REVIEWED AND APPROVED AT THE 21<sup>ST</sup> JANUARY 2019 FULL COUNCIL MEETING*

*REVIEWED AND APPROVED AT THE 3<sup>RD</sup> FEBRUARY 2020 FULL COUNCIL MEETING*

# OTTERY ST MARY TOWN COUNCIL RESERVES POLICY

## **1. Council Reserves**

Ottery St Mary Town Council (‘the Council’) needs to maintain reserves to protect against risk, ensure contingencies are in place and to support investment in future projects which are beneficial to the town – *detailed within Section 50 of the Local Government Finance Act 1992; supported by CIPFA guidance notes on Local Authority Reserves and Balances issued November 2008.*

The Reserves Policy presents information about the requirements to maintain appropriate financial reserves and provides details on the types of reserves and current and predicted balances. The Council manages risk by assessing the potential impacts of future events, based on the likelihood that they may occur and the severity of any impact. Mitigating actions are then identified to reduce the exposure and appropriate plans are put in place.

The purpose of this Policy is to enable the Committee to review the level of reserves to ensure they meet the current and future needs of the Council.

The assessment of the adequacy of the Council’s balances and reserves is based on the guidance note on Local Authority Reserves and Balances, which whilst there is not a statutory requirement, is considered to set out current best practice with regard to balances and reserves. The guidance states that no case has yet been made to set a statutory minimum level of reserves and that each local authority should take advice from its Responsible Finance Officer and base its judgement on local circumstances.

## **2. Types of Reserves**

The Council maintains two types of reserves;

### **a) Earmarked Reserves**

This provides a means of accumulating funds, for use in a later financial year, to meet known or planned policy initiatives. Earmarked Reserves will increase through decisions of the Council and will decrease as they are spent on their specific intended purposes.

The purpose of an Earmarked Reserve is to set aside amounts for projects that extend beyond one year or as a contingency against a specific situation occurring. Once an Earmarked Reserve has been established by the Council it is the responsibility of the Responsible Finance Officer 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.

### **b) General Reserves**

This represents the non-ring fenced (earmarked) 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 emerging or unforeseen events or genuine emergencies. In general, a robust level of reserve should be maintained and take account of opera 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 earmarked reserves for specific needs, contingencies and commitments. In assessing the level of the Council's reserves, account needs to be taken of the risks facing the Council in terms of any significant unforeseen expenditure requirements

Further major elements which could impact adversely on future precepts are;

- Capping of Council Precept by Central Government

### **3. Purpose of General Fund Reserves**

The purpose of general reserves is to minimise the possible financial impacts to the authority from; emergencies, unforeseen events and ad hoc emerging issues during the year.

### **4. General Fund Reserve – Risk Assessment**

Identifying the risks allows the Council to take account of the circumstances around current structural change due to service provision and economic circumstances. Risks can be identified as; risks from potential one-off events; risks which will have general financial consequences and actions that need to be in place to minimise the potential for financial support.

### **5. Assessment of Potential Risks (not covered by insurance)**

***The outcome of this analysis has been to place an estimated total value on the range of risks that may arise and which are not covered by insurance.***

<b>No</b>	<b>Risk</b>	<b>Effects/Action</b>	<b>Value of Risk</b>
1	Loss of staff	Council could not function effectively Additional advertising costs to attract staff, pay for staff cover	£5,000
2	Major Loss of Service through fire/flood structural damage	Premises	£4,000
3	Insurance Claims – Good claims management		£5,000
4	Uninsurable losses		£5,000
5	ICT Security/data corruption	Loss of service robust security policies, backup, firewalls and off site electronic document storage	£3,000
	Unanticipated Legal costs	Legal costs that cannot be recovered	£12,000

## **6. Role of Responsible Finance Officer**

It is the responsibility of the Responsible Finance Officer (RFO) to advise the Council about the level of reserves that it should hold and ensure that it has clear protocols for their establishment and use.

There is no statutory minimum but there are four significant safeguards in place against the Council over committing itself financially;

- (a) The balanced budget requirement.
- (b) RFO S114 Powers. (Local Government Finance Act 1988)
- (c) The External Auditors responsibility to review and report on financial standing.
- (d) The year-end audit report from the Council's Internal Auditor

Ottery St Mary Council, on the advice of their RFO, are required to make their own judgements on the level of reserves, taking into account all relevant local circumstances. Local circumstances vary. A well-managed authority with a prudent approach to budgeting should operate with reserves in the Council's current range given its emerging service responsibilities.

It is the responsibility of the RFO to ensure reserves are spent in line with their purpose. Where expenditure is planned in future accounting periods, it is prudent to build up reserves in advance.

The RFO has a fiduciary duty to local taxpayers and must be satisfied that the decisions taken on balances and reserves represent responsible stewardship of public funds.

## **7. Summary**

**General Reserves should not reach the level of the precept.**

The figure for General Reserves is obtained from Assessment of Potential Risks (*not covered by insurance*), section 5 and will be reviewed on a yearly basis.

Produced by: Christine McIntyre - CEO and Responsible Finance Officer

Signed: \_\_\_\_\_

Date of adoption: \_\_\_\_\_