



# FELIXSTOWE

## TOWN COUNCIL

### **Reserves Policy 2021-2023**

#### **Purpose**

Felixstowe 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.

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. The level of reserves required will vary according to local circumstances and will be informed by future expenditure plans. There is no specified minimum or maximum level of reserves that an authority should hold. It is the responsibility of the Responsible Finance Officer (RFO) and Councillors to determine the level of reserves and to ensure that there are procedures for their establishment and use.

The Good Councillors Guide to Finance and Transparency 2018 suggests that a Council should typically hold between 3- and 12-months net revenue expenditure (NRE) as a general reserve. If the reserve is too low then it may not be enough to cover unexpected expenditure or emergencies, whilst if it is too high an explanation may be sought by the external auditor.

Felixstowe Town Council maintains two types of reserves:

#### **General Reserves**

This represents the non-ringfenced (earmarked) balance of Council funds. The purpose of the General Reserve is to 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.

General Reserves are funds which, subject to legal obligations and Council's Financial Regulations, do not have any restrictions as to their use. A level of General Reserves has been maintained which has been the equivalent 9-12 months expenditure and should not exceed 12 months net revenue expenditure.

#### **Earmarked Reserves**

This type of reserve provides a means for the holding or accumulation of funds for use in a later financial year to meet known or planned expenditure. This known or planned expenditure maybe either revenue expenditure or capital expenditure.

Earmarked Reserves may increase or decrease through decisions of the Council and as they are spent on their specific and intended purposes. Through annual

proportional increases to Earmarked Reserves, the impact on budgets and therefore the annual precept, is minimised. This action also helps to ensure that strong balances are passed to future Councils as part of sustainable financial planning.

Earmarked Reserves are typically held for four main reasons:

- a) Renewals
- b) To carry forward an underspend
- c) To indicate commitment to a capital project
- d) To meet known or predicted liabilities

### **Ringfenced/Restricted Earmarked Reserves**

The purpose of Earmarked Reserves are usually defined – and may be redefined or reallocated – by Council should priorities or needs change. However, some funding held in Earmarked Reserves may be ringfenced or restricted for a specific purpose only. For example, capital funding, grants received and CIL funding may be held in specified Earmarked Reserves and may only be spent in accordance with relevant regulations.

### **Monitoring and Reviewing Reserves**

Financial management of the Council's General and Earmarked Reserves is carried out in accordance with the Council's Financial Regulations and Terms of Reference.

A record of General and Earmarked Reserves is maintained by the RFO and administered through the accounts management software.

The balance of General and Earmarked Reserves are reviewed by Council as part of the Budget Process between September and January each financial year to confirm that provisions are appropriate, and as part of the Year End process. Any transfers between General and Earmarked Reserves must be approved by Council.

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**Policy Approved:** Council 10 November 2021 (pending)  
**Review Body:** Finance & Governance Committee recommendation to Council  
**Review Period:** Biennial  
**Next Review:** F&G (March 2023) / Annual Council (May 2023)