

## **Wimborne Minster Town Council's General Reserves and Ear Marked Reserves Policy**

Author: L Harrison, Town Clerk and RFO, Wimborne Minster Town Council, 10 August 2022.

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### **1. Background**

Wimborne Minster Town Council (Council) 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. However, there is no specified minimum or maximum level of reserves that an authority should hold.

It is the responsibility of the Responsible Financial Officer (RFO) to advise Council about the level of reserves and to ensure that there are procedures for their establishment and use. The Council's RFO is the town Clerk.

Consideration should be given to the CIPFA guidance notes on Local Authority Reserves and Balances issued in 2008 and the Audit Commission document 'Interpreting the accounts' published in September 2014.

### **2. Purpose**

The Council will hold reserves for these three main purposes:

- (i) A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves.
- (ii) A contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves.
- (iii) A means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements.

### **3. General Reserves**

The General Reserve is a balance on the Council's revenue account which is not held for any specific purpose other than to cushion the Council's finances against any unexpected short-term problems in the Council's cash flow. A council should typically hold between 3- and 12-months expenditure as a general reserve. It is the RFO's advice that Council work towards a general reserve fund equal to at least 6 months of the current precept.

The primary means of building general reserves will be through an allocation from the annual budget and will form part of the medium-term financial strategy of the Council. These reserves are to be maintained at a level based upon a risk assessment carried out annually by the RFO when setting the budget for the forthcoming year, in so far as funding allows. Any surplus on the reserve above the required balance may be used to fund capital expenditure, be appropriated to earmarked reserves or used to limit any increase in the precept. If in extreme circumstances general reserves were exhausted due to major unforeseen spending pressures within a particular year the Council would be able to draw down from its earmarked reserves to provide short term resources. Even at times of extreme

financial pressure the Council will keep a minimum balance in general reserves sufficient to pay at least three month's salaries to staff and cover existing contractual obligations.

#### 4. Earmarked Reserves

Earmarked Reserves represent amounts that are generally built up or set aside over a period of time which are earmarked for specific items of expenditure to meet known or anticipated liabilities or projects. The setting aside of funds to meet know future expenditure reduces the impact of meeting the full expenditure in one year.

The Council, when establishing an earmarked reserve, will set out:

- a - the reason/purpose of the reserve
- b - how and when the reserve can be used
- c - procedures for the management and control of the reserve
- d - a process and timescale for review of the reserve to ensure continuing relevance and adequacy

Appendix 1 sets out Council's current EMRs.

#### 5. Review of the adequacy of balances and reserves

In assessing the adequacy of reserves the strategic, operational, and financial risks facing the authority will be considered. The level of earmarked reserves will be reviewed as part of the annual budget preparation.

## Appendix 7

Ear Marked Reserves review by the RFO to Wimborne Minster Town Council, 30 April 2024.

Name	EMR code	Value 31/03/2024	Tenure from 30 April 2024	Annual amount	Total amount	Notes
Elections	tbc	£12,593	4 years	£5,602	£35,000	Elections 2029 and cover for casual vacancies
IT / office	321	£10,248	0 years	0	£10,248	Desktops and laptops (staff and councillors)
Staffing reserve	322	£2,400	8 years	£1,200	£12,000	Temp / locum cover for 6 months' salary
Regalia	323	£200	23 years	£100	£2,500	Cost of replacing chains & robes.
Devolved services	324	£15,223	23 years	£1,000	£38,223	DC asset transfers
CCTV	325	£13,495	8 years	£1,400	£24,695	Repairs / replacement
Buildings	326	£58,625	48 years	£1,500	£130,625	Long term maintenance / repairs
Play areas /skate park	327	£12,845	23 years	£5,000	£127,845	Play area equipment and Redcotts skate park
Grounds equipment	328	£8,119	8 years	£1,500	£20,119	Replacement vehicles / equipment / machinery
Street furniture	329	£500	23 years	£250	£6,250	Bins, signage, notice boards, bus shelters
Climate change/biodiversity	331	£1,000	48 years	£500	£25,000	Green / sustainable projects
Youth Service	tbc	£5,000	4 years	£3,750	£20,000	
Contingency Fund	tbc	0	25 years	£960	£24,000	'self-insured' cover surfaces £16,250, sport equipment £7,750
Cemetery	tbc	tbc	tbc	tbc	tbc	Full Council to review in June 2024
<b>Total</b>		<b>£140,248</b>		<b>£22,762</b>	<b>£476,505</b>	