

Oakham Town Council Financial Reserves policy

Oakham Town Council is required 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 and are detailed within Sections 32,43 and 50 of the Local Government Finance Act 1992. However, there is no specified minimum or maximum level of reserves that an authority should hold and it is the responsibility of the Responsible Financial Officer to advise the Council about the level of reserves and to ensure that there are key protocols for their establishment and use.

The chartered Institute of Public Finances and Accountancy (CIPFA) recommends that local authorities should establish and maintain reserves and that these are held for three main purposes:

- A working balance to help cushion the impact of uneven cash flows to avoid the need for borrowing
- A working balance to help cushion the impact of unexpected events or emergencies
- A means of building up funds (EMR) to meet known or predicted liabilities.

A number of Council's assets have a finite life and if future Councils resolve to maintain the level of provision they will be faced with replacement costs.

Types of Reserves

Oakham Town Council maintains two types of reserves;

1. 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 Town 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 will be reviewed annually to ensure that it is still relevant.

2. General Reserve

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 operational and financial issues facing the Town Council.

Earmarked Reserves

It is financially prudent to progressively accumulate ear marked reserves to ensure funds are available to meet significant replacement expenditure. By annual proportional increases of EMRs, the impact on budgets and therefore the annual precept, is minimised. Further this action would help to ensure that strong balances are passed to future Councils as part of a long term Financial plan.

In February 2017 Council resolved to hold earmarked reserves and accumulate annually as follows:

Ear marked Reserves

Area	Estimated Life left (yrs)	Estimated replacement cost	Annual EMR addition
Play equipment Cutts Close	10	30,000	3,000
Skate park Cutts Close	10	32,000	3,200
Play equipment Willow Crescent	15	20,000	1,333
Play equipment Royces	10	20,000	2,000
Cutts Close store flat roof	10	5,000	500
Bandstand Cutts Close	20	2000	100
68 benches	10	37,400	3,740
Office equipment	10	2,000	200
Litter bins and plant containers	20	13,125	656
Regalia	10	21,000	2,100
Gritting bins	20	3,000	150
Christmas decorations	10	17,500	1,750
Street furniture	20	3500	175
Annual addition to EMR			18,905.00

General Reserve Risk Assessment (not covered by insurance)

Identifying the risks allows 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
- actions that need to be in place to minimise the potential for financial support (borrowing)
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No	Risk	Effects/Action	Value of Risk
1	Loss of staff	Council could not function effectively Additional advertising costs to attract staff, pay for staff cover	6,000
2	Election Reserve	Cost of advertising, RCC election costs	6,000
3	Unanticipated Legal costs	Legal costs that cannot be recovered	10,000
4	Life of asset may be over estimated or fail prematurely	Pump prime EMR at 25% of total	50,000
Total			72,000.00

Role of Responsible Finance Officer

It is the responsibility of the Responsible Finance Officer (RFO) to advise the Town 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 three significant safeguards in place against the Town Council over committing itself financially;

- (a) A balanced budget requirement. .
- (b) The External Auditors responsibility to review and report on financial standing.
- (c) The year-end audit report from the Town Council's Internal Auditor

Oakham Town Council 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 Town Council's current range given its 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.

Summary

General Reserves to be held at between 25%-50% of the precept.

The figure for General Reserves is obtained from Assessment of Potential Risks (*not covered by insurance*), sums to cushion the impact of uneven cash flows and cushion the impact of unexpected events or emergencies.

This will be reviewed on a yearly basis.