



BODMIN TOWN COUNCIL

FINANCIAL RESERVES POLICY

1 INTRODUCTION

Bodmin Town Council needs to maintain adequate financial reserves to meet the future needs of the organisation. The purpose of this policy is to set out how the Council will determine and review the level of the reserves and agree how the income and expenditure is accounted for.

Local authorities must have regard to the level of the reserves needed to estimate future expenditure when calculating the budget.

There is no specified minimum or maximum level of reserves that an authority should hold, however the *Joint Panel on Accountability Governance (JPAG) March 2021 Section 5.32* states *– The generally accepted recommendation with regard to the appropriate minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three (3) and twelve (12) months Net Revenue Expenditure (NRE).*

The Council holds reserves for three main purposes;

- The general fund is to help cushion the short-term impact of uneven cash flows and to avoid unnecessary temporary borrowing.
- A contingency to cushion the impact of unexpected events or emergencies, this is part of the general fund.
- Earmarked reserves are a means of building up funds to meet known or predicted requirements of future expenditure and projects.

2 TYPES OF RESERVES

Bodmin Town Council holds a number of different types of reserves under the main categories, capital, earmarked and general reserves. The purposes and usage of these reserves is detailed below;

Capital Reserves

The Capital Reserves are from capital receipts and as such can only be used for capital expenditure of a community asset in accordance with the regulations and The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.

The Council holds the following capital reserves;

Shire Hall Loan Fund

Purpose:

A sinking fund to repay the Shire Hall PWLB loans of £400,000

for the purchase and renovation of the Shire Hall at the end of the loan term.

How and When the Reserve can be used;

These funds will be used to repay the Shire Hall PWLB in 2025, or before if early repayment is deemed financially viable and sound.

The interest which has been accrued to 31 March 2014 was invested with HSBC in October 2014 for the purpose of ensuring the Council had the funds to repay the loans in full.

Capital Receipts Reserve

Purpose;

This is proceeds from the Sale of Mount Folly Toilets and Market Street Car Park. The council has not as yet committed these reserves.

How and When the Reserve can be used;

These funds may be used for any capital expenditure with Council's approval.

Earmarked Reserves

The earmarked reserves are sums set aside for future planned expenditure and projects. These are usually used in planning an effective replacement program or planned property maintenance or purchase. They are also used to carry forward under spends for committed expenditure of projects.

As earmarked reserves are established on a 'needs' basis in line with planned or anticipated requirements, these reserves will be reviewed on an annual basis in terms of timescales, continuing relevance and adequacy in order to only keep in earmarked reserves the necessary amounts. Any reserved amounts for projects which are no longer required will be transferred to the General Fund.

All movements to and from this reserve must be approved by Council.

General Fund Reserves

The general fund is a reserve which do not have any restrictions as to their use. These reserves are normally used to smooth the impact of uneven cash flows, offset budget requirements or for unexpected events or emergencies.

All movements to and from this reserve must be approved by Council.

3 PROCEDURES FOR MANAGEMENT AND CONTROL

Reserves can only be used once and therefore should not be held to fund ongoing (revenue) expenditure. This would be unsustainable as, at some point, the reserves would be exhausted.

To the extent that if reserves are used to meet short term funding gaps, they should be replenished in the following years.

However, earmarked reserves that have been used to meet a specific liability would not need to be replenished, having served the purpose for which they were originally established.

JPAG guidance on Larger Local Authority Reserves advises that a regular review and justification of earmarked reserves should be made at least annually by the Council.

The Council will look at the best way to utilise funds in terms of interest to help feed into the Councils annual budget and therefore not accrue compound interest on these reserves.

4 Alternative Formats

If you need this information in a different format, please contact us:

- by email: info@bodmin.gov.uk
- by phone: 01208 76616
- by post: Shire Hall, Mount Folly, Bodmin, PL30 2DQ