

# **Swanage Town Council**



## **RESERVES POLICY**

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## **1. Introduction**

The Council is required, under statute, to maintain adequate financial reserves in order to meet the needs of the organisation. Section 49A of the Local Government Finance Act 1992, as amended, requires that local precepting authorities in England have regard to the level of reserves needed to meet estimated future expenditure when calculating the budget requirement. Consideration should also be given to the Joint Panel on Accountability & Governance (JPAG) Practitioners' Guide.

The Council's policy on the establishment, maintenance and adequacy of reserves and balances will be considered during the annual review of the Council's Medium Term Financial Strategy (MTFS) and preparation of the annual budget.

The Council will hold reserves for these three main purposes:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing - this forms part of general reserves;
- a contingency to cushion the impact of unexpected events or emergencies - this also forms part of general reserves;
- a means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately but remain legally part of the General Fund.

An authority has no legal powers to hold reserves other than those for reasonable working capital needs, or for specifically earmarked purposes. The general reserve should not be significantly higher than the annual precept.

## **2. General Reserves – The General Fund Balance**

The General Fund Balance, commonly termed the "working balance", 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.

- 3. Policy:** JPAG recommends that a General Reserve between three and twelve months of Net Revenue Expenditure is maintained, with larger authorities holding nearer to three months. However, an authority should adopt a General Reserve Policy to set a level appropriate to their size, situation and risks. They should plan their budget so as to ensure that the adopted level is maintained. Authorities with significant self-generated income (other than the precept or levy) should take into account situations that may lead to a loss in revenue as well as increased costs and adapt their general reserve accordingly. For this authority, a General Reserve is to be maintained at a level based upon a risk assessment carried out annually by the Responsible Financial Officer when setting the budget for the forthcoming year. Any surplus on the general 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 requirement.

#### **4. Financial Risk Management**

In order to assess the adequacy of the general fund when setting the annual budget, the Responsible Financial Officer will take account of the strategic, operational and financial risks facing the Council. The requirement of the level of the general fund balance for the forthcoming year will therefore be based upon a risk assessment of the Council's main areas of income and expenditure and take into account any provisions and contingencies that may be required. This financial risk assessment will be based upon the main financial risks identified in the Council's Corporate Risk Register

The main items to be considered are:

<b>Financial Risk</b>	<b>Analysis of Risk</b>
Pay inflation is greater than budgeted	The cost of living increase is above the level allowed for in the estimates.
Contractual inflation is greater than budgeted	A general assumption is made when estimating the percentage increase on rates & utilities. This may increase above budgeted inflation. Professional and other services costs increase above estimate.
Treasury management income is not achieved	The actual interest rate realised is below the rate predicted at budget setting.
Car park revenue is below forecast	That a decrease in revenue is realised from estimate.
Seasonal and rental income is lower than budgeted/shortfall in income from fees and charges	That a decrease in revenue is realised from estimate.
Insurance Cover	That events occur resulting in losses that are not covered by insurance.

#### **5. Earmarked Reserves**

Earmarked reserves represent amounts that are generally built up over a period of time which are earmarked for specific items of expenditure to meet known or anticipated liabilities or projects, and will naturally decrease as they are spent on their intended purpose. The 'setting aside' of funds to meet known future expenditure reduces the impact of meeting the full expenditure in one year. The Council, when establishing an earmarked reserve, will set out:

- the reason/purpose of the reserve;
- how and when the reserve can be used;
- procedures for the management and control of the reserve;

- a process and timescale for review of the reserve to ensure continuing relevance and adequacy.

The following earmarked reserves will be held by the Council:

<b>Reserve</b>	<b>Use</b>	<b>Policy for Use</b>
Beach Huts Reserve	To build up funds to meet future capital expenditure	To fund future capital projects as agreed by full council
Environmental Projects	To build up funds to meet future capital expenditure	To fund future capital projects as agreed by full council.
Community Infrastructure Levy	To hold funds for the provision, improvement, replacement, operation or maintenance of infrastructure; or anything else that is concerned with addressing the demands that development places on an area	This money must be spent in accordance with Regulation 59 C, within 5 years of receipt from the Unitary Authority. This reserve should be utilised in the first instance for works to 'infrastructure' as defined in Section 216 of the Planning Act 2008
De Moulham Back Roads	To fund the repair and maintenance of the De Moulham Estate Back Roads	That the surplus/(deficit) on the revenue account be appropriated to/(from) the reserve
Insurance & Contingency Reserve	To hold funds to cover one-off costs that may result from devolved services	That any expenditure to be met from the reserve is agreed by Council
Treasury Risk Management Reserve	To build up funds to offset any potential loss upon the redemption of strategic investments	To transfer funds to the general fund upon crystallisation of losses from strategic investments
Car Park Machines	To build up funds to replace car park ticket machines	That the purchase of equipment, as agreed by Council, be met from this reserve
Play Equipment-General Areas	To build up funds to replace play equipment	That the purchase of equipment, as agreed by Council, be met from this reserve
Vehicle & Plant Replacement	To build up funds to replace vehicles and plant	That the purchase of vehicles and plant, as agreed by Council, be met from this reserve
Football Club Facilities	To hold back rent from Vodafone for the mast at Day's Park.	To contribute funds towards the improvement of Day's Park Football Club Facilities
Tennis Courts Refurbishment	To build up funds to resurface the tennis courts	That an agreed contribution be made by the Council with an equal contribution to be met by the Tennis Club

King Georges Play Area and Skate Park	To build up funds to replace play & skate park equipment	That the purchase of equipment, as agreed by Council, be met from this reserve
Public Conveniences Fund	To build up funds to meet future capital expenditure	To fund future capital projects as agreed by full council
IT Equipment	To hold funds to meet future expenditure for IT equipment replacement	That the purchase of equipment, as agreed by Council, be met from this reserve
Green Seafront Enhancement Reserve	To build up funds to meet the costs of improvements to the Spa, Weather Station Field and Sandpit Field	That expenditure to be met from the reserve is agreed by full council
Community Sea Defence Project Reserve	To hold the funds provided by Wessex Water following an Enforcement Undertaking	To help fund public realm improvements in connection with a sea defence project
Committed revenue expenditure C fwd	To hold funds committed to revenue expenditure which have been deferred to the next financial year	To fund deferred revenue expenditure as recommended by the Town Clerk and agreed by full Council
King George's Field Management Account Reserve	To hold any surplus on the management account	To fund future capital/revenue expenditure as agreed by Council, under a management agreement
Bandstand Reserve	To hold funds donated by the friends of Swanage Bandstand	To fund expenditure on the maintenance of the bandstand, as agreed by Council
Asset Management Plan Reserve	To earmark funds to meet future expenditure relating to the Asset Management Plan	To fund future major projects on the Asset Management Plan as agreed by full council
Boat Park/Fishers Huts Reserve	To earmark funds to meet future expenditure relating to the Boat Park & Fishers Huts	That any expenditure to be met from the reserve is agreed by Council

## 6. **Statutory Reserves**

Local Authorities also hold reserves that arise out of the interaction of legislation and proper accounting practices. At Swanage Town Council this is:

- Capital Receipts Reserve - this reserve holds the proceeds from the sale of assets, and can only be used for capital purposes in accordance with regulations.

## 7. **Review of the Adequacy of Balances and Reserves**

As the Council's level of reserves are related to its precept requirement it is important that these reserves are not excessive. In assessing the adequacy of reserves the strategic, operational and financial risks facing the authority will be taken into account. The level of general and earmarked reserves will be reviewed as part of the annual budget preparation.

## Appendix A

### Draft Estimates - Earmarked Reserves 2025/26-2027/28

Earmarked Reserves	Forecast 31/03/2025	Forecast 31/03/2026	Forecast 31/03/2027	Forecast 31/03/2028
Beach Huts Reserve	95,000	105,000	10,000	20,000
Environmental Projects	67,000	92,000	107,000	132,000
Community Infrastructure Levy	348,780	243,780	0	0
De Moulham Back Roads	27,180	29,180	31,180	33,180
Insurance & Contingency Reserve	0	0	0	0
Treasury Risk Management Reserve	187,800	187,800	0	0
Car Park Machines	4,815	9,815	14,815	19,815
Play Equipment-General Areas	41,405	51,405	10,000	20,000
Vehicle & Plant Replacement	40,000	40,000	0	15,000
Football Club Facilities	0	0	0	0
Tennis Courts Refurbishment	30,050	22,720	30,390	38,060
King Georges Play Area & Skate Park	72,095	42,095	47,095	52,095
Public Conveniences	145,000	160,000	0	15,000
IT Equipment Reserves	22,665	665	5,665	10,665
Green Seafront Enhancement Scheme	1,456,010	956,010	0	0
Community Sea Defence Project	450,000	450,000	0	0
Committed expenditure deferred	0	0	0	0
King George's Field Management Account	13,080	13,080	13,080	13,080
Bandstand	16,390	16,390	16,390	16,390
Asset Management Plan Reserve	0	65,000	130,000	195,000
Boat Park/Fishers Huts Reserve	10,000	20,000	30,000	40,000
<b>Reserves C f'd</b>	<b>3,027,270</b>	<b>2,504,940</b>	<b>445,615</b>	<b>620,285</b>

### Draft Estimates – Total Reserves 2025/26-2027/28

Total Reserves	Forecast 31/03/2025	Forecast 31/03/2026	Forecast 31/03/2027	Forecast 31/03/2028
The General Fund	739,975	732,050	698,115	596,925
Earmarked Reserves	3,027,270	2,504,940	445,615	620,285
Useable Capital Receipts Reserve	1,901,730	1,706,230	0	0
<b>Total of Reserves held by the Council</b>	<b>5,668,975</b>	<b>4,943,220</b>	<b>1,143,730</b>	<b>1,217,210</b>