

BINGLEY TOWN COUNCIL

Bingley Town Council, Myrtle Place, Bingley, BD16 2LF



Reserves Policy

Date of review: 28th June 2022

Next review date: March 2023

1. Introduction

The Council is required, under statute, to maintain adequate financial reserves in order to meet the needs of the organisation. Section 50 of the Local Government Finance Act 1992 requires that billing and precepting authorities in England and Wales have regard to the level of reserves needed to meet estimated future expenditure when calculating the budget requirement.

The Council's policy on the establishment, maintenance and adequacy of reserves and balances will be considered during the preparation of the annual budget.

The Council will hold reserves for these two main purposes:

- General reserves: a contingency to cushion the impact of unexpected events or emergencies and a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing; the general reserve should typically hold between three and twelve months' expenditure. The working balance part of general reserves is not really applicable to BTC at the present time, as the majority of income is raised from the precept which is received at the start of the year, thereby negating any cash flow problems.
- Earmarked reserves: a means of building up funds to meet known or predicted requirements; earmarked reserves are accounted for separately but remain legally part of reserves.

2. General reserves

This represents the non-ring fenced, or earmarked, balance of Council funds. In general, a robust level of reserve should be maintained and take account of operational and financial issues facing the Town Council. Guidance for the general reserves is that it should be maintained at between three and twelve months' Net Revenue Expenditure. Net Revenue Expenditure is effectively precept, less any loan repayment and any amounts included in the precept for capital projects and transfers to Earmarked Reserves.

The General Reserve for 2022-23 is £56,165.

3. 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. 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 Town Council currently has earmarked reserves for allotments, elections, the Hub and CIL (Community Infrastructure Levy).

Allotment Reserve

Allotment monies within the Town Council budget are ringfenced for use on expenditure for the allotments. The Finance and General Purposes Committee has decided that the allotments should be self-funding. The Town Council can authorise a release from reserves for maintenance on the allotments. The allotment reserve for 2022-2023 is £15,585.

Elections Reserve

The Town Council holds a reserve for elections. This is to fund any election costs that may arise. Elections are outside of the control of the Town Council and the monies held in this reserve are to be used if an election is called that the Town Council has to fund. The Election reserve for 2022-23 is £17,365.

The Hub

The Town Council has reserve for the Hub. This reserve is £20,000 and will be used for the maintenance of the Hub building.

Changing Places Reserve

The Town Council has a reserve for the Changing Places facility. This reserve is £36,875 and will be used to fund the Changing Places facility build.

CIL Reserve

The Town Council has four CIL reserves. They are to be spent within five years of receipt. CIL expenditure is subject to the criteria laid down in the CIL Regulations, provided the expenditure is compliant with the Town Council’s statutory duties and powers. Bingley Town Council has the following CIL reserves:

2018-2019: £9,536

2019-2020: £2,731

2020-2021: £4,219

2021-2022: £1,833

4. Policy

The general reserve is to be maintained at a level based upon a risk assessment carried out annually by the Responsible Finance Officer when setting the budget for the forthcoming year. 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.

5. Financial Risk Management

In order to assess the adequacy of the general reserve when setting the annual budget, the Responsible Finance Officer will take account of the strategic, operational and financial risks facing the Council. The requirement of the level of the general reserve 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, along with the risk assessment below.

Major risks to the council are recorded in the risk management policy: currently under review.

6. Review of the Adequacy of Balances and Reserves

In assessing the adequacy of reserves the strategic, operational and financial risks facing the Town Council will be taken into account. The level of earmarked reserves will be reviewed as part of the annual budget preparation.