



RESERVES STRATEGY

1 Purpose

Bletchley and Fenny Stratford Town Council (the Council) plans to maintain adequate financial reserves to meet the needs of the organisation and to support investment in future projects which are beneficial to the parish.

The Council manages risk by assessing the potential impacts of future events, based on the likelihood that they may occur and the severity of any impact. Mitigating actions are then identified to reduce the exposure and appropriate plans are put in place as described in the Town Council's Financial Risk Assessment. The maintenance of satisfactory levels of reserves forms part of the risk management programme.

The purpose of this document is solely to set out the Council's approach to determining and reviewing the level of its financial reserves. It should be read in conjunction with the Council's Financial Risk Assessment the adopted Financial Regulations. Readers should also be mindful of the statutory framework and good practice guidance which governs all smaller authority financial governance eg the Accounts and Audit Regulations 2015, Governance and Accountability for Smaller Authorities in England 2017 etc.

2 Financial Responsibility

Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. Higher reserves will provide the Council with greater strategic flexibility in future years however it is unreasonable to accumulate reserves which are higher than necessary to meet the needs of the organisation.

Under the Council's Standing Orders and current scheme of delegations the full council is directly responsible for the overall management and control of the Town Council's finances without the support of a finance committee.

It is the responsibility of all councillors is to fully participate in the regular review of the level of the council's balances and reserves and, taking into account advice from the Responsible Financial Office, make the following decisions:

- To accumulate any reserves including a general reserve

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Review: financial year end 2018

- To review all earmarked reserves on an annual basis and to reallocate any earmarked reserves which will not be used for the original purpose for which they were established.
- To consider the appropriate use of reserves when determining the budget and setting the precept on an annual basis in accordance with relevant guidance
- To approve all expenditure from reserves

3 Types of Reserves

The Council maintains two types of reserves, categorised as *general* (ie held to cushion the impact of uneven cash flows or unexpected events) or *earmarked* (ie held for a specific purpose or “specified”).

i General Reserve

This represents the non-ring fenced (earmarked) balance of Council funds. The main purposes of the General Reserves are

- to operate as a working balance to help manage the impact of uneven cash flows
- to provide a contingency to cushion the impact of emergencies
- to provide a contingency to allow the council to deal with unforeseen events or issues which emerge during the year which are not emergencies

The unplanned use of general reserves during the financial year requires approval from full council in accordance with the Council’s financial regulations.

Statutory guidance does not include a prescribed level of minimum or maximum general reserves. A level of 30% of operating income should ensure adequate provision in the event of an unforeseen occurrence which would affect cash flow. A further 15% of operating income should ensure a sufficient contingency to deal with uninsured emergencies and emerging or unforeseen events. Therefore the general reserve will usually be maintained at approximately 45% of the council’s annual operating income. This level of general reserve will be reviewed annually and will be considered alongside the Town Council’s insurance and other risk management arrangements.

ii Earmarked Reserves

These represent a means of accumulating funds, for use in later financial years, 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 purposes of the Earmarked Reserves are

- to set aside amounts for specific projects that extend beyond one year or as a contingency against a specific situation occurring
- to prevent an unanticipated impact on precept
- to minimise risk from potential emergency spending on capital assets

Once an individual earmarked reserve has been established by the Town Council it is the responsibility of the Council to ensure these funds are spent in line with their purpose. The purpose of each Earmarked Reserve should be reviewed annually to ensure that it is relevant and the funds held are appropriate.

Further significant issues which could impact adversely on future precepts include:

- Capping of Town Council precept by central government
- Milton Keynes Council reducing/stopping grant support derived from the central government support grant
- Transfer of services from Milton Keynes Council (either by devolution or through reduction in service provision from the which BFSTC then decides to supplement)
- Changes to local and community need

As indicated above earmarked reserves will be established on a “needs” basis, in line with planned or anticipated requirements and any decision to set up an earmarked reserve must be made by full council.

All earmarked reserves are recorded on a central schedule held by the Responsible Financial Officer which lists the various earmarked reserves and the purpose for which they are held.

4 Reserves Strategy 2017-18

i General Reserve

A maximum general reserve of 45% of annual precept or operating income will be held by the Council. At the time of writing the general reserve is set at:

Name of Reserve	Purpose	Amount
General	Cash flow, emergencies, unexpected events	£290,700

ii Earmarked Reserves

The following earmarked reserves have also been established:

Name of Reserve	Purpose	Amount
Precept Mitigation	To mitigate the impact of a shortfall in precept when council tax benefit support grant is withdrawn. Currently a grant of c £100,000 pa from MKC is supporting the Council’s annual income which is not expected to continue indefinitely. The council plans to reduce costs within the annual budget to bring the budget to a balanced position without the grant. This sum has been set aside to mitigate the impact on precept if the grant is withdrawn suddenly and the council has not yet reached a balanced budget.	£100,000
Transfer of Services	To research and develop the council’s capacity to take on additional services or meet gaps in existing provision from the unitary authority Eg landscaping, play facilities etc	£129,740
Repairs, maintenance and equipment renewal	To catch up with and regularly undertake cyclical maintenance and replacement of the council’s property and equipment including IT, vehicles etc To undertake day to day decoration and repairs to premises	£50,000

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Premises Fund	To secure suitable premises for council activities and to undertake any major refurbishment/repairs to existing capital assets	£400,00
Newton Leys Development Reserve	Net income from Newton Leys Community centre has been kept separate to be reinvested in the community Newton Leys and this is the purpose of this reserve. It also includes some S106 funding from the development. NB £15,000 of the reserve is ring fenced for installation of adult exercise equipment at Willow Lake	£64,267
Lakes Estate	Balance of funding from central government to support the Neighbourhood plan project (now completed) to be spent on projects within the Lakes Estate potentially in support of the Spotlight project	£13,881