Frodsham
TOWN COUNCIL

Reserves Policy 2023

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Introduction

1.1 The Town Council is required by statute to maintain financial reserves sufficient to meet the needs of the organisation and in addition has statutory limitations on how it spends certain receipts which it must ensure are accounted for separately to the council's general funds.

1.2 Whilst there is no statutory minimum (or maximum) level of reserves, the council has no power to hold revenue reserves other than those for reasonable working capital needs or specific earmarked purposes.

1.3 The Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide, which sets out the 'proper practices' for how the council must maintain its accounts, recommends that the minimum level of general reserves should be between three and twelve months of net revenue expenditure. For an authority of the council's size, it states that the lower end (three months, or 25%) is appropriate.

1.4 The council's Internal and External Auditors review the council's reserves and their justification annually.

1.5 This policy sets out how the council will manage its reserves.

General Reserve

2.1 The general reserve is not ringfenced (earmarked) for any specific expenditure. Its purposes is to smooth the impact of uneven cashflow or cover unexpected/emergency expenditure. It is not intended to fund on-going expenditure.

2.2 The general reserve will be replenished as part of the budget process in any year where it has been utilised for unexpected/emergency expenditure.

2.3 The council will hold a general reserve of at least 25% of its net revenue expenditure NRE this is the difference between its budgeted income and expenditure less any budgeted capital expenditure, expenditure from earmarked reserves and budgeted transfers to reserves.

Earmarked Reserves

3.1 The council may establish ringfenced (earmarked) reserves for any reason where it reasonably believes it may incur expenditure in the future. The council's current earmarked reserves are detailed below.

Elections Reserve

4.1 This earmarked reserve is to cover the cost of elections.

4.2 The reserve will be held at the approximate cost for four by-elections, comprising one for Castle Park Ward, one for Lakes Ward, one for Waterside Ward and one for Overton and Five Crosses Ward.

4.3 The current expected costs (2023-2034) are Castle Park Ward (£1,549.55), Lakes Ward (£1,483.25), Waterside Ward (£1,589.50) and Overton and Five Crosses Ward (£1,536.80).

4.4 The council may determine to lower the reserve immediately before/after ordinary election years where the likelihood of a by-election is lower.

Allotments Reserve

4.5 This earmarked reserve is to cover expenditure at the allotment sites.

4.6 Any unspent allotment receipts will be transferred to the reserve at the end of the financial year.

4.7 Any overspend within the allotments cost centre will be covered by the reserve at year end.

4.8 There is no specific project for which the council is building the reserve and it may be utilised to cover expenditure as is required.

Play Areas Reserve

4.9 This earmarked reserve is to build a match funding pot to contribute towards investment in play areas in Frodsham.

4.10 The council will usually increase the reserve by £1,000 each year.

4.11 There is no specific target level for the reserve.

CIL Receipts Reserve

4.12 CIL Receipts are subject to statutory restrictions requiring they only be used for certain kinds of expenditure.

4.13 In accordance with Financial Regulations the council will hold a CIL Receipts Reserve to ensure CIL receipts are separately accounted for.

Cemetery Reserves

4.14 This earmarked reserve is to build a funding pot to contribute towards investment at Tarvin Road Cemetery.

4.15 Any unspent cemetery receipts will be transferred to the reserve at the end of the financial year.

4.16 Any overspend within the cemetery cost centre will be covered by the reserve at year end.

4.17 There is no specific project for which the council is building the reserve and it may be utilised to cover expenditure as is required.

Review and Variation to Policy

This policy will be reviewed annually by Frodsham Town Council as part of setting the council budget.

Where it determines there is justification for doing so, the Council may make decisions which are at variance to this policy.