

Report - Ear Marked Reserves

Louise Harrison, Town Clerk and RFO to Ferndown Town Council, 23 October 2020.

1. The level of Ear Marked Reserves should be reviewed as part of the annual budget preparation.
2. FTC is required, under statute, to maintain adequate financial reserves to meet the needs of the organisation and take reserves into account when calculating the budget requirement (section 50 Local Government Finance Act 1992). However, there is no specified minimum or maximum level of reserves that a council should hold and Council's RFO is responsible for advising Council on its levels of reserves and associated policies/procedures in place to manage them.
3. Council will hold reserves for:
 - (i) A working balance to help cushion the impact of uneven cash flows and around unnecessary temporary borrowing – part of General Reserves,
 - (ii) Contingency to cushion the impact if unexpected events/emergencies- also part of General Reserves, and
 - (iii) A means of building up funds to meet known/predicted requirements (Ear Marked Reserves).
4. Ear Marked Reserves represent amounts that are generally built up or set aside over a period which are earmarked for specific items of expenditure to meet known or anticipated liabilities or projects. The setting aside of funds to meet future expenditure reduces the impact of meeting the full expenditure in one year.
5. When setting our Ear Marked Reserves Council should establish the purpose of the reserve, how and when the reserve can be used, procedures for the management and control of the reserve and a process and timescale for review of the reserve to ensure continuing relevance and adequacy.
6. Below is a table of current and proposed Ear Marked Reserves. The RFO request the FGPC review their current Ear Marked Reserves, agree Ear Marked Reserve going forward and consider a General and Earmarked Reserve Policy for adoption (see appendix 1 below). FGPC are also requested to establish how and when the reserve can be used and procedures for the management and control of the reserve.

Colour	Meaning
	Merge EMRs
	New EMRs
	No change

Current EMRs	Current Value	Proposed EMRs going forward	Annual value	Tenure (years)	Total value	Description
Elections	£21,000	No further allocation required	N/A	N/A	£21,000	Average election costs approximately £5,000.
Ford Lane capital improvements	£10,500	Merge into new EMR 'Long term maintenance' below				
Replacement Lengthsman Van	£4,000	Continue	£750	10	£11,500	
Ferndown Matters	£1,000	Not required	£1,000	N/A	N/A	
Playground/fencing KGV	£6,500	Rename 'Playground areas'	£1,000	25	£31,500	Replacement equipment for all sites including fencing and signage
BMX track Ford Lane	£500	Continue	£500	9	£5,000	Recommend RLAC update FGPC on a realistic figure to reinstate a BMX track
Tree inspection	£2,500	No further allocation required	N/A	N/A	£2,500	Tree survey for all FTC owned/managed areas.
Bus shelters	£4,500	See below (street furniture)				
General planting	£2,628	No further allocation required	N/A	N/A	£2,628	Covered by annual budget
Footpaths	£1,500	Merge into new EMR 'Environment fund' below				
Wheel Park	£60,000	Re- name to Wheel Park repairs and replacements	£500	25	£12,500	Assumption £60,000 used for current project – fund for replacement Wheel Park

Christmas lights	£1,500	Continue	£500	15	£9,000	Repairs/replacements
Devolved services reserve	£25,000	Merge into new EMR 'Land/building acquisition fund' below				
KGV development project	£38,000	Rename KGV, no further allocation required	Merge into new EMR 'Land/building acquisition fund' below moving forward after the redevelopment project.			
Changing rooms (Ford Lane)	0	Merge into new EMR 'Long term maintenance' below				
Stapehill allotments	0	Merge into new EMR 'Land/building acquisition fund' below				
Forest & Stour Trail	0	Amalgamate and rename Environment EMR	£250	10	£3,000	Environmental projects (including £1,500 from 'Footpaths' fund above)
Footpath guides	0					
Nature walks	0					
Mrs Bullows donation	0	Not sure what this is?				Carpet bar area and 50% contribution hairs?
Staffing reserve	0	New	£1000	25	£25,000	Cover costs (agency, locum) and any other liabilities arising not covered in the staffing budgets, such as pensions auto-enrolment
Lengthsman reserve	0	New	£500	10	£5,000	Fund activities outside the Lengthsman's FTC remit
Street furniture	0	New	£1,000	10	£10,000	Replacements/repairs for noticeboards, bus shelters, benches, bins and signage
Regalia	0	New	£250	10	£2,500	Replacement
IT/technical equipment	0	New	£1,000	5	£5,000	Replacement IT and other technical equipment including website
Equipment/machinery/tools	0	New	£1,000	10	£10,000	Replacement/repairs

CCTV	0	New	£750	10	£7,500	Replacement/repairs KGV and BC
Youth Centre	0	New	£1,000	10	£10,000	Activities, repairs and replacement items,
Town Centre Development	0	New	£2,000	5	£10,000	Town Council activity in the Town Centre
Section 17 reserve	0	New	£500	10	£5,000	Crime and disorder reduction strategies across FTC area.
Long- term maintenance provision	0	New	£5,000	50	£250,000	Large-scale maintenance projects over and above annually budgeted maintenance programme (for buildings and associated infrastructure for BC, KGV and Ford Lane).
Events	0	New	£250	10	£2,500	Fund local and national events (e.g. World War commemoration)
Land/property acquisition fund	£25,000	See above 'Devolved services reserve'	£1,000	25	£50,000	Fund the acquisition of property, land or devolved services.
			£19,750			

Appendix 1 – Draft General and Earmarked Reserve Policy

1. Background

Ferndown Town Council (FTC) is required, under statute, to maintain adequate financial reserves to meet the needs of the organisation. Section 50 of the Local Government Finance Act 1992 requires local precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. However, there is no specified minimum or maximum level of reserves that an authority should hold. It is the responsibility of the Responsible Financial Officer (RFO) to advise the FTC about the level of reserves and to ensure that there are procedures for their establishment and use.

Consideration should be given to the CIPFA guidance notes on Local Authority Reserves and Balances issued in 2008 and the Audit Commission document 'Interpreting the accounts' published in September 2014,

2. The Council will hold reserves for these three main purposes:

- (i) A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves
- (ii) A contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves.
- (iii) A means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements.

3. General Reserves

The General Reserve 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.

A council should typically hold between 3- and 12-months expenditure as a general reserve. It is the RFO's advice that Council work towards a general reserve fund equal to at least 6 months of the current precept. The primary means of building general reserves will be through an allocation from the annual budget and will form part of the medium-term financial strategy of the Council

These reserves are to be maintained at a level based upon a risk assessment carried out annually by the RFO when setting the budget for the forthcoming year, in so far as funding allows. 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. If in extreme circumstances general reserves were exhausted due to major unforeseen spending pressures within a particular year the Council would be able to draw down from its earmarked reserves to provide short term resources. Even at times of extreme financial pressure the Council will keep a minimum balance in general reserves sufficient to pay at least three month's salaries to staff and cover existing contractual obligations.

4. Earmarked Reserves

Earmarked Reserves represent amounts that are generally built up or set aside 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:

- a - the reason/purpose of the reserve
- b - how and when the reserve can be used
- c - procedures for the management and control of the reserve
- d - a process and timescale for review of the reserve to ensure continuing relevance and adequacy

5. Review of the Adequacy of Balances and Reserves

In assessing the adequacy of reserves the strategic, operational, and financial risks facing the authority will be considered. The level of earmarked reserves will be reviewed as part of the annual budget preparation.