

Title:	Reserves Policy.
Purpose:	To detail the Council's policies and procedures in respect or holding reserves.
Owner:	Town Clerk.
Approved by:	Town Council.
Date:	2019.
Version Number:	1.0
Status:	Draft
Review Frequency:	Every year
Next review date:	2020

1. Introduction.

- 1.1 Llangollen Town Council is required to maintain adequate financial reserves to meet the needs of the organisation. The purpose of this policy is to set out how the Council will determine and review the level of reserves.

2. Legislation.

- 2.1 Sections 32 and 43 of the Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. There is no specified minimum or maximum level of reserves that an authority should hold. It is the responsibility of the Councillors and the Responsible Financial Officer (RFO) to determine the level of reserves and to ensure that there are procedures for their establishment and use.
- 2.2 Governance and accountability for local councils in Wales – A Practitioners' Guide (2011) suggests Councils have no legal powers to hold revenue reserves other than those for reasonable working capital needs or for specifically earmarked purposes. Earmarked reserves, which are set aside for specific purposes and for savings for future projects, should be realistic and approved by the Council. It is generally accepted that general (un-earmarked) revenue reserves usually lie within a range of three to twelve months of gross expenditure. However, the amount of general reserve should be risk assessed and approved by the Council.

3. Types of Reserves.

- 3.1 General Reserves are held to cushion the impact of uneven cashflows or unexpected events. These are funds which do not have any restrictions as to their use.
- 3.2 Earmarked Reserves can be held for several reasons. The money is held for specific items of expenditure to meet known or predicted liabilities or projects. Earmarked reserves can be used to 'smooth' the effects of certain expenditure commitments over a period of time thereby reducing the impact of significant expenditure in any one year. Typically, they are held for four main reasons: -
- a) Renewals
 - b) To carry forward an underspend
 - c) To indicate commitment to a capital project
 - d) To meet known or predicted liabilities

4. Risk Assessment

- 4.1 It is the responsibility of the Responsible Finance Officer (RFO) to advise the Town Council about the level of reserves that it should hold and ensure that it has clear protocols for their establishment and use. There is no statutory minimum but there are significant safeguards in place against the Town Council over committing itself financially: -
- The balanced budget requirement.
 - The year-end audit report from the Town Council's Internal Auditor
 - The External Auditors report on financial standing.
- 4.2 Llangollen Town Council, on the advice of their RFO, are required to make their own judgements on the level of reserves, considering all relevant local conditions. Local circumstances vary. A well-managed authority with a prudent approach to budgeting should operate with reserves in the Town Council's current range given its emerging service responsibilities. It is the responsibility of the RFO to ensure reserves are spent in line with their purpose. Where expenditure is planned in future accounting periods, it is prudent to build up reserves in advance.
- 4.3 The RFO has a fiduciary duty to local taxpayers and must be satisfied that the decisions taken on balances and reserves represent responsible stewardship of public funds. Identifying the risks allows the Council to take account of the circumstances around current structural change due to service provision and economic circumstances. Risks can be identified as; risks from potential one-off events; risks which will have general financial consequences and actions that need to be in place to minimise the potential for financial support.

5. Review of Reserves

- 5.1 The level of both General and Earmarked Reserves will be reviewed at least annually and will always be part of the budget setting process. A level of General Reserve will be maintained which equates to between 3- and 6- months expenditure.

6. Governance

- 6.1 This policy will be reviewed by Council every year following the Council's year end.