

**To receive a report on the level of Town Council General Reserves,
Contingency and Earmarked Reserves and consider any actions and
associated expenditure**

Report to: Policy and Finance Committee

Date of Report: 6 January 2025

Officer Writing the Report: Town Clerk / RFO

Officers Recommendations

Members are asked to review the report and ask questions relating to the information provided if not clear.

Members are asked to review and justify Saltash Town Council level of General Reserves, Contingency, and Earmarked Reserves attached to the report together with the information provided in the report.

Report Summary

At the November P&F meeting the committee Members were advised that a report on the level of General Reserves, Contingency and Earmarked reserves would be available for Members to consider the level and rationale of all reserves (General Reserves, Contingency and Earmarked Reserves).

Joint Panel on Accountability and Governance Practitioners Guide (JPAG):

JPAG is responsible for issuing proper practices about the governance and accounts of smaller authorities. The Practitioner's Guide is issued by the JPAG to support the preparation by smaller authorities of statutory annual accounting and governance statements found in the Annual Governance and Accountability Return (AGAR)

Reserves:

5.31. As with any financial entity, it is essential that authorities have sufficient reserves (general and earmarked) to finance both their day-to-day operations and future plans.

5.32 Smaller authorities have no specific right to accumulate funds via the precept. All reserves should be reviewed and justified regularly (i.e. at least annually). It is good practice to transparently publish both the level of rationale of all reserves.

General Reserves:

5.33 The general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances.

5.34 The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained between three and twelve months of net revenue expenditure.

5.35 The reason for the wide range is to cater for the large variation in activity level between individual authorities. The smaller authority, the closer the figure may be to 12-month expenditure, the larger the authority, the nearer to 3 months. In practice, any authority with income and expenditure in excess of £200,000 should plan towards 3 months equivalent general reserve.

5.36 In all of this it is important that each authority adopt, as a general reserve policy, the level appropriate to their size, situation, risks and plan their budget so as to ensure that the adopted level is maintained. Consideration of the minimum level of reserves requires not only consideration of level of income and expenditure but also the risks to that income.

5.37 Authorities with significant self-generated income (other than the precept or levy) should take into account situations that may lead to a loss in revenue as well as increased costs and adapt their general reserve accordingly.

Earmarked and other reserves:

5.38 None of the above in any way affects the level of earmarked and/or capital receipts reserves that an authority may or should hold.

5.39 There is, in practice, no upper or lower limit to EMR/CRRs save only that they must be held for genuine and identifiable purposes and projects, and their level should be subject to regular review and justification (at least annually and at budget setting), and should be separately identified and enumerated. Significant levels of EMRs in particular may give rise to enquiries from internal and/or external auditors.

Please note:

The following question was posed to Cornwall Association of Local Councils (CALC):

- Can principal authorities, in this case, Cornwall Council, declare themselves bankrupt, if so, would there be any impact to the Saltash Town Council precept?

CALC confirmed that principal authorities can't declare themselves bankrupt. If it looks like their expenditure will exceed their income, the Section 151 officer must issue a Section 114 notice, which makes any non-essential expenditure unlawful. The council must then make efforts to balance the books, usually by cutting expenditure.

If this doesn't work, there are several approaches that the Government can take, such as:

- Allowing the authority to use capital receipts to meet costs
- Raising the referendum limit to allow a bigger council tax increase (Croydon was allowed a 15% increase for 2023/24)
- Issue directions on what action the council must take
- Appointing commissioners to temporarily run the council
- Direct financial assistance (which is very rare)

Money collected from council tax and non-domestic rate payers is kept in the Collection Fund, separate from Cornwall council's own money. Cornwall Council cannot help itself to money collected for parishes, or fire and police authorities, or the portion of NNDR due to the Government. It is still required to pay those funds over to the authorities the money was collected for.

Budget Overview

Refer to Appendix A and B for further detailed information on the Town Council General Reserves and Earmarked Reserves.

Saltash Town Council contingency level for the year 2025-26 is at 5.06 months, £683,689.

Saltash Town Council contingency level at 3 months based on the year figures for 2025-26, £405,349 reducing the current value by £278,340. This would then increase General Reserves from £490,674 to £769,014.

Saltash Town Council self-generated income for the year 2024-25 is £97,985 and for the year 2025-26 is £96,086. We are aware that Saltash Town Council relies heavily on the precept to fund the operations of the Town Council.

Signature of Officer:

Town Clerk / RFO