FLITWICK TOWN COUNCIL
General Reserves Policy

1. Purpose

The Joint Panel on Accountability & Governance (JPAG) published in March 2023, considers the General Reserve of an authority to comprise 'its cash flow and contingency funds to cover unexpected inflation, unforeseen events, and unusual circumstances.'

This policy will guide Members and Officers to implement appropriate processes to ensure that funds will be available should such circumstances occur, and to protect the Council's financial position and service delivery.

2. Financial Position

The Council qualifies as a 'Super Council' since its Precept exceeds £1m. In usual circumstances, in addition to the significant self-generated income of the Rufus Centre business, the Council holds substantial funds year on year.

To follow JPAG's advice, the Council should consider 'situations that may lead to a loss in revenue as well as increased costs and adapt their reserves accordingly.' The event of an unexpected loss of revenue from the Rufus Centre business, or 3 Station Road once tenanted, should, therefore, be factored in when considering how much funding should be kept in reserves.

3. Reserves Accounting

It is good practice to assess the Council's funds and where they are held regularly, and as a minimum, six months of net revenue expenditure should be ringfenced at the end of September (month 6) and year-end. These funds (half of the Precept value - £500k) can be held as an Earmarked Reserve (EMR) with a heading of 'do not spend,' indicating to Members and auditors that the Council has adequate contingency funds. At other times during the year, there is no requirement to keep that level of funds earmarked as a contingency, and there is scope to move all funds other than what is required for cash flow in the business reserve account to the CCLA Public Sector Deposit Fund.

The Finance Scrutiny Working Group (FSWG) and the Council will see a monthly balance sheet showing current balances for General Reserves and EMRs. Bank reconciliations will be presented to the FSWG monthly, showing current and business reserve account balances.

Officers will prioritise securing the maximum interest rate using the CCLA Public Sector Deposit Fund to ensure the best value for money. For this reason, surplus funds will be transferred to CCLA at the earliest convenience, and Officers will proactively draw from the CCLA account monthly to pay large invoices, direct debit bills, and salaries. This gives adequate resilience to ensure the Council bank account is not overdrawn and that bills are paid on time. The business reserve account will hold 1.5 months (£120k) of net expenditure at this time, but it will hold less than this at other times during the month.

Officers will proactively align direct debit payments to the same timeframe where possible to keep CCLA movements minimal.

4. Year End

The Council will make necessary resolutions at year-end relating to funds being moved to the General Reserves EMR and any Rufus Centre business surplus funds to its own EMR to fund the building's capital program for improvements.

To follow best practices, funds will not be taken from the General Reserves to supplement revenue budget overspends. Instead, Officers will seek approval from the Council to overspend on revenue budgets where necessary. Movements from General Reserves to account for overspends will be done at year-end.

5. Capital Projects

If the Council resolves to fund a necessary major capital project with General Reserves, a strategy for recouping the reserves will be developed. Officers will develop this plan in conjunction with Members of the FSWG for adoption by the Council.

6. Responsibility

The RFO will be responsible for ensuring this policy is followed.

7. Review

As identified in the JPAG document, EMRs 'must be held for genuine and identifiable 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.'

This policy will be reviewed annually.