Reserves Policy Recommendations (relating to the Budget).

Introduction

This paper is a recommendation with regards to Lowestoft Town Council’s LTC reserves policy. Since the Council’s initial meetings, reserves have been discussed and individual policies agreed however these have not been consolidated into a whole policy. This proposal is designed to rectify that position it order to provide transparency to councillors and the public.

The Council has a responsibility to manage a General Reserve to ensure that it has funds to cover its commitments. In addition to this LTC can set up other reserves for specific projects, assets, liabilities or future eventualities. Indeed, it is financially prudent to do this if we are to avoid burdening our residents in the future with the type of rises in the precept that LTC has been forced to adopt so far due to the lack of fiscal provision and investment in assets by previous authorities.

The aim of this paper is to set out the different Reserve policies which have been discussed and agreed along with the way these reserves accrue and the maximum

balance of the reserve.

List of Financial Reserves

This list starts with the General Reserve and the lists the other reserves alphabetically. There is no priority implied by the order after the General Reserve.

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Reserves

General Reserve

Policy Council has adopted the policy that this reserve should initially aim to reach the value of four months of the annual precept which should be our minimum General Reserve. Once we have reached this figure then Council can review this policy however the General Reserve should not reach a figure equal to or greater than the annual precept.

Accrual The General Reserve is accrued from two areas.

1. Budget. As LTC was set up without a General Reserve being provided, a figure was included in the budget to accumulate a General Reserve over a period of time. In time this figure should be able to be reduced once the reserve hits its target. It should however be noted that as the Council’s budget increases year on year then the reserve needs to grow to match, i.e. if the budget increases by £30,000 then the reserve needs to increase by £10,000. Therefore, it may always be prudent to have an annual contribution to the General Reserve included in the budget.
2. Savings. Any annual saving in budgeted costs, not allocated to other reserves, goes into the General Reserve. This is obviously an unplanned element as we budget to cover expected costs but savings or underspends may occur during the year.

Capital Reserve

Policy Council should operate a Capital Reserve for any major work on its assets

Accrual This reserve would accrue from any budgeted Capital funds or from funds from loans specifically for Capital Works.

Civic & Ceremonial Reserve

Policy Council recognises that there will be some significant costs arising from the age of some of the civic regalia and that this should be planned for both now and in the future as well as funding any major, non-annual ceremonial events within the town.

Accrual This reserve is accrued in two ways:

1. The original transfer of funds from the Charter Trustees for this purpose
2. Any savings in the annual Civic and Ceremonial budget and Remembrance and Holocaust budget

Elections Reserve

Policy Election expenses are accrued over the period of the Council’s lifetime. Initially this was over a two-year period but in future it will be over a four-year period. At present the budget includes the estimated cost of the four yearly elections but does not include any amount for by-elections as this would be a difficult figure for which to budget however it is something that could be addressed in the budget setting following any such by-election.

Accrual This reserve accrues solely from the election provision in the annual budget which is set to raise one quarter of the four yearly election costs annually.

Legal Reserve

Policy Council resolved to assign £50,000 from the initial annual savings into a Legal Reserve as we were needing to get independent legal advice and no provision for legal costs had been included in the LTC budget by Waveney District Council (WDC). A figure has been allocated in the 2019/20 budget based on our estimated spending this year. It is hoped that in the future this figure may reduce once we have resolved legal issues relating to the creation of the Council and the transfer of asset to the Council.

Accrual This reserve accrues solely from the legal provision in the annual budget.

Lowestoft Collection Reserve

Policy Council approved funding for improvements to the Lowestoft Collection and its storage etc which was included in our 2018/19 budget and referred to in the budget paper as Heritage and Arts Reserve. It is proposed that this reserve is split into two elements, Lowestoft Collection Reserve and Marina Theatre Reserve in order to provide greater transparency. The Lowestoft Collection Reserve would be used for the above purposes and for adding to items to the collection which would increase its value or bring important historical items relating to Lowestoft into the town’s collection. This reserve may be used for outright purchase or for matched-funding with grant applications. For this purpose it should be noted that the Lowestoft Collection refers to the whole collection of artwork, porcelain and heritage items.

Accrual This reserve accrues solely from any underspend of the figure in the annual budget however it is recommended that this reserve should have a maximum ceiling set at £100,000 which should be reviewed annually based on previous years expenditure.

Marina Theatre Reserve

Policy This reserve is specifically for any improvements or major repairs to the Marina Theatre.

 Upon purchasing the Marina Box Office and Café it was agreed that the difference in the rental for the building received from the Marina Theatre Trust (MTT) and the loan repayments for the building would go into a reserve. Additionally, any annual saving on the Repairs and Maintenance budget for the Marina Theatre would also go into this reserve.

Accrual This reserve accrues from the excess from the rental income over the loan repayments and any annual saving from the repairs and maintenance budget. No maximum for this reserve is proposed at this time but should be reviewed annually.

Parks & Open Spaces Reserves

Policy This reserve is for improvements and to our parks and open spaces which fall outside of the Council’s maintenance contract. This could include infrastructure, planting, structures, artwork/sculptures or ecological improvements.

Accrual This reserve accrues from two areas:

1. Any underspend in the annual Parks Development and Infrastructure budget
2. Any savings in the annual maintenance contract for Parks and Open Spaces.

Play Areas Reserve

Policy Council approved an allocation in the 2018/19 budget for Play Area Refurbishment. WDC had previously paid for refurbishment from S106 and CIL funds however Council recognised that Lowestoft had a significant shortfall in provision compared the majority of the District. Additionally, the level of planning/development related funding was declining. Therefore, Council agreed that setting up a fund with a budget provision was an important financial imperative.

Accrual This can be accrued from two areas:

1. The annual budget for Play Area Refurbishment
2. Any allocated planning/development funding allocated by Council.

Public Convenience Reserve

Policy This reserve is for the renovation of LTC public conveniences

Accrual This reserve can be accrued in two ways:

1. Any savings on budgets for public convenience maintenance
2. Any planning/development funding allocated by Council

Repairs and Maintenance Reserve

Policy Council should aim to have a fully accessed repairs and maintenance schedule as soon as is possible however due to the newness of the council and the lack of information provided on many of our assets this is having to be generated currently. Many of the assets transferred to us have not been maintained to standards which the town would expect and unexpected costs may therefore arise until we are in a position to have a full repairs and maintenance schedule. Therefore, it is prudent for the Council to hold a reserve for Repairs and Maintenance.

Accrual This reserve is solely accrued from savings on the allocated Repairs and Maintenance budgets allocation within the Denes Oval, Miscellaneous, Offices and Town Hall sections of the LTC budget

Staffing Reserve

Policy Council agreed it would be prudent to have a staffing reserve to cover any unforeseen costs which might arise from long-term sick leave or incapacity, redundancy or parental leave.

Accrual This is solely accrued from the budget for this reserve. A maximum limit of £100,000 is proposed at this time however this should be reviewed should staffing levels change or otherwise annually reviewed

Training Reserve

Policy Council agreed to have a training reserve as not all training is annually financed or delivered.

Accrual This reserve solely accrues from savings on the annual Training and Communications budget

Triangle Market Reserve

Policy This reserve is for redevelopment of the Triangle Market and Sails area

Accrual There is Refurbishment funding available at WDC

Recommendation

These reserves have previously been discussed or approved at either Full Council,

Finance & Governance Committee or within the Budget Working Party with reports

or minutes to Full Council. This document brings them all into one policy for

reserves and therefore it is recommended that Council adopts its contents as a

policy position.