



# TODMORDEN TOWN COUNCIL

## REPORT TO THE GENERAL PURPOSES COMMITTEE

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<b>Date</b>	<b>15<sup>th</sup> January 2020</b>
<b>SUBJECT</b>	<b>Reserves Policy and Investment Strategy</b>

### PURPOSE:

1. To present for consideration by Members, a Draft Reserves Policy and Investment Strategy.
2. To advise Members that the levels of Earmarked Reserves identified need formally approving annually by Full Council.
3. To provide the opportunity for Members of this Committee to consider whether changes should be recommended to Full Council.
4. The establishment of a Reserves Policy and Earmarking of Reserves reflects Internal Auditor comment for improvement. By doing so before year end, this will already physically be in place at the time of the annual visit.

### BACKGROUND:

5. As Todmorden Town Council budgets have increased, and with it, increasing Precept call, unspent funds have over the years accumulated in what is effectively a general reserve which is estimated at year end to be around £80,000, in addition to Earmarked Reserves totalling £83,500.
6. This is physically represented in terms of balances held in our bank accounts.
7. Whilst the process of financial control and regular reporting of the financial position to General Purposes Committee and Full Council, has mitigated the chance of unplanned spend, a Reserves Policy adopted by Full Council, will provide good governance arrangement and financial discipline, to ensure that any future commitments made by Members, especially when not

originally included within the start of year budget, is duly considered in line with our Reserves Policy.

8. Bank balances are inflated at the start of the year when the Precept is received in one single amount.
9. There is risk in that unauthorised access to the bank account could in theory lead to all balances being taken. By following an investment strategy that involves a combination of minimum balances held on current account for operational needs, and then the remainder of funds held in a mixture of instant access deposit account and other fixed term deposit accounts (term relative to purpose) this will help reduce this risk, whilst also generating additional investment income.
10. There is an existing Earmarked Reserve of £15,000 in respect of Play Areas that has been in existence for some time without any activity associated with it. Todmorden Town Council does not own any playgrounds. The need for this Reserve, unless a contribution towards levering in substantially greater funds for investment in playgrounds to benefit Todmorden residents, should be reconsidered.
11. In light of budget considerations for 2020/21 , including making commitments to build up a fund for potential Town Hall future involvement, and or levering in substantial funds by way of matching contributions to enable larger schemes to be implemented of benefit to Todmorden, it may be appropriate to initially move this Play Area Earmarked reserve into a Community Development Earmarked Reserve

#### **FINANCIAL CONSIDERATIONS:**

12. By adopting a policy of Earmarking Reserves and maintaining a General Reserves level relative to annual expenditure, budget constraints are automatically present, that then require Members to consider these levels, prior to making any more substantial financial commitments.
13. By segregating bank funds into different investment accounts, there is also a physical control introduced that in turn seeks to compliment the Reserves Policy
14. By reducing current account balances and investing more into interest earning accounts investment income will increase.

#### **RECOMMENDATION:**

15. That Members consider the Reserves Policy and Investment Strategy, and if in agreement, submit a report to Full Council recommending that this Policy is formally adopted.
16. That the RFO be given delegated powers to transfer funds between bank current and interest earning accounts as required, to both manage cash flow and maximise interest earning opportunity.
17. That the Town Clerk/ RFO is authorised to research different Term Deposit options and bring back to the General Purposes Committee recommendations in line with the proposed Policies.

18. That the General Purposes Committee consider the need to continue with the Playgrounds Earmarked Reserve or to move to new Earmarked Reserve entitled Community Development Reserve

#### **REASONS FOR RECOMMENDATION**

19. To provide opportunity for the General Purposes Committee to consider ahead of submitting this Policy to Full Council for adoption.
20. To recommend to Full council that authority be given for the Town Clerk/RFO to transfer funds between bank accounts.
21. To be able to advise Members of options open to consider for longer term commitments of funds into interest bearing accounts.
22. To review current Earmarked reserves provision.

#### **POLICY IMPLICATIONS:**

23. This Policy falls in line with recommended good practice.

#### **DETAILS OF CONSULTATION:**

24. None

#### **SUPPORTING PAPERS:**

25. Appendix 1 – Draft Reserves Policy and Investment Strategy

FURTHER INFORMATION, PLEASE CONTACT: Colin Hill