

Royal Sutton Coldfield Town Council

RESERVES Frequently Asked Questions (FAQ)

1. What are Council 'Reserves'?

When the Town Council mentions 'Reserves' or 'Financial Reserves', this means the money that is held by the Town Council to be used in the future. This is usually money set aside from Precept income or from grants received that have not yet been spent but will be needed in coming years.

Effectively, these Reserves are 'savings' either for a specific purpose, or for something that might be unexpected, otherwise known as 'savings for a rainy day'. As in any organisation, business or even the household budget, it is sensible to 'put something aside' for known expenditure in the future and some money for unexpected costs.

2. What is the difference between General Fund Reserves and Earmarked Reserves (EMR)?

The Town Council has to separate out monies held for different purposes. Where money is held for a specific purpose, it is called an Earmarked Reserve (EMR); where money is held for any other purpose it is called a General Fund Reserve.

- Examples of EMR would be monies 'ring-fenced' or set aside for a known specific one-off event such as a special anniversary celebration, or for a one-off purchase of equipment, or for funding a new service; these costs are likely to be high and therefore need to be saved up over several years.
- Examples of general fund reserves would be monies set aside for known payments before income is received (smoothing cashflow or working capital) such as paying for the costs of a project before the grant income is received; or where money is set aside to pay for the costs of unknown and unexpected events or emergencies such as a rare health event or a rare weather event.

3. How much is held by the Town Council in the General Fund Reserve and why is it held at this level:

At the end of the 2023/24 financial year (31 March 2024) the Town Council held £569,464 in the general fund reserve. This amount represents around four months net Town Council expenditure incurred in 2023/24 and just under four months net Council expenditure budgeted in 2024/25.

The Town Council is required to hold sufficient monies in the General Fund to be able to pay for between three and twelve months of Council expenditure; the Council's own Reserves policy requires it to hold monies to be able to pay for between three and twelve months of predicted expenditure.

So, on both measures, the Town Council is complying with the relevant guidance and the Town Council's policy.

4. How much is held by the Town Council in the Earmarked Reserve and what is it held there for:

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At the end of 2023/24, the Town Council held £3,745,610 in Earmarked Reserves; these amounts have been built up over several years by saving amounts each year from Precept income for known specific purposes in future years.

While this amount sounds large, some of the projects due to be funded by the EMR reserves are significant and will require additional funds to be saved out of the Precept each year, e.g. devolution of Birmingham City Council assets/services; town centre regeneration.

A full list of each EMR balance is included in the [statement of accounts](#) of the Council.

The larger balances are as follows:

• Devolution Deal	£694,259
• Town Centre Regeneration	£596,848
• Heritage Restoration Works	£500,000
• Sutton Park enhancements	£470,000

5. How much has been spent from these EMR reserves and when will the remaining monies be spent?

The Town Council looks at how much of the annual Precept needs to be used on running costs each year and then how much can be saved for future purposes and added to the EMR. Based on the amount held in each EMR balance, the Town Council will plan to spend as much EMR as possible each year to deliver each project.

However, the amount of spend is often very dependent on what kind of project it is; for example, the Devolution Deal, the heritage restoration works and the Sutton Park enhancements all rely on Birmingham City Council approving planning, releasing information or commissioning works and therefore progress is not in the control of the Town Council. This can result in a long lead time where appropriate resources are scarce.

Despite this, in recent years the Town Council has managed to spend almost £1,500,000 on projects funded by EMR reserves, around £500,000 each year.

6. Are these reserves reviewed and re-considered on a regular basis?

Yes, the Council is required to review these Reserves on an annual basis – the Town Council do this every year at the end of the financial year before the accounts are approved by the Town Council and independently audited

7. Is it possible to use Earmarked Reserves for day-to-day Council running costs or for General Fund reserves to be used to fund specific projects?

Earmarked Reserves are intended to be restricted for a particular purpose and therefore are not normally able to be used for day-to-day running costs – this may only be possible if an EMR is no longer required and the Council approves the transfer of an EMR to the General Fund. However, once an EMR is spent, it is not replenished each year – once it is gone, it's gone.

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On the other hand, General Fund Reserves do not have any restrictions on their use and therefore, if approved by Council, can be used, or earmarked for specific projects or for specific one-off purposes.