



Reserves Policy 2025/26

Introduction

The Town Council is required by statute to maintain financial reserves sufficient to meet the needs of the organisation and in addition has statutory limitations on how it spends certain receipts which it must ensure are accounted for separately to the council's general funds.

Whilst there is no statutory minimum (or maximum) level of reserves, the council should only hold revenue reserves for reasonable working capital needs or specific earmarked purposes.

The Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide, which sets out the 'proper practices' for how the council must maintain its accounts, recommends that the minimum level of general reserves should be between three and twelve months of net revenue expenditure. Net revenue expenditure is defined as precept, less amounts included in precept for loan repayment, capital projects & transfers to reserves. For an authority of the council's size, it states that the lower end (three months, or 25%) is appropriate.

The council's Internal and External Auditors review the council's reserves and their justification annually.

This policy sets out how the council will manage its reserves and is separate to the council's Investments Policy which sets out how the council will hold its reserves.

General Reserve

The general reserve is not ringfenced (earmarked) for any specific expenditure, but is intended to cover the following working capital needs:

- to smooth the impact of uneven cashflow
- cover unexpected/emergency expenditure
- act in an agile manner

The general reserve will be replenished as part of the budget process in any year where it has been utilised for unexpected/emergency expenditure.

The Town Council aims to increase its general reserves by a minimum of £20k per year as part of a long-term plan working towards a general reserve fund of up to 6 months of precept. This will be dependent on working capital needs.

Earmarked Reserves

The council may establish ringfenced (earmarked) reserves for any reason where it reasonably believes it may incur expenditure in the future. The council's current earmarked reserves are detailed at the end of this policy.

Consideration of Short-term Financial Risks

To assess the adequacy of the general reserve, the Council has considered the strategic, operational, and financial risks faced. The short-term risks that the Town Council faces, with reference to its current plans include:

Lower than expected income

- Grant income - In previous years the net expenditure of the Town Council has been slightly lower than the precept, with the result that the Council has been able to boost the level of the general reserve fund. Since net expenditure is stated after deducting revenue grants received from third parties, the savings partly reflect successful grant applications. Conversely if grant income were not received for any reason, then a surplus of net expenditure over precept could result, with the balance being funded by the general reserves fund.
- Other income - the revenue estimates forming the basis of the precept includes predicted income from a range of sources, such as cemetery income, café income, and letting and hiring income, particularly from new facilities such as Bat & Ball centre, Business Hub and Bat & Ball Station. It is difficult to predict with accuracy (particularly, for new venues such as the Bat & Ball station). If income received were to fall below the budgeted level, then the balance could be funded from general reserves.
- Calculations for Band D and non-collection allowances giving a lower than expected precept base. Precept is usually set after the final Band D number is received.
- Other risks – e.g., Inflation and cost of living crisis may impact on availability of grants and other income sources, as well as customers and spending habits.

Higher than expected costs due to:

- Inflation increases, in particular the energy sector;
- unexpected professional fees;
- shortage of staff resources;
- Other risks – e.g., Coronavirus has resulted in higher expenditure in recent years

Consideration of Longer-term Financial Risks

Longer term financial risks faced by the Council include:

- Funding the repairs or replacement of assets;
- Changes to legislation e.g., uncertainties created by the income to be generated from CIL

Current Level of Financial Reserves

As at December 2024, the General and Earmarked reserves held are as follows:

312	Temporary Staff Reserve	£4,000
313	Youth Council Reserve	£2,190.37
314	Council Offices Reserve	£1,547.63
315	Pension Reserve	£2,814.23
316	Rolling Cap Prog Rev Reserve	£41,666.06
317	Street Lighting Reserve	£10,723.26
319	Stag Winding Up Reserve	£11,000
320	Planning Fees Reserve	£2,500
321	Youth Activity Reserve	£1,268.75
328	Non-annual Commitments Reserve	£10,035
329	Staff Training Reserve	£2,890
331	20 MPH Reserve	£21,489
334	Energy Saving – TC Offices	£6,780.26
339	Capital Receipts Quaker Hall	£31,041.68
340	Capital Receipts Reserve	£400,003.22
346	Vehicle/ Machinery Replacement	£51,616.00
348	Bat & Ball Centre Maintenance Reserve	£10,578
349	Recruitment Reserve	£6,500
360	CIL Earmarked Reserve	£298,244.85
370	No 8 Bus Reserve	£78,808.26
374	Mayors Charity Reserve	£7,303.02

Adopted at Finance & Delivery Committee 20/01/2025

376	Mayors Regalia Reserve	£6,981.99
377	WKH Reserve – Youth Service	£3,750
	Total	£1,013,731.58

Recommendation:

That Members consider and adopt the Reserves Policy for financial year 2025/26 with the emphasis on continuing to increase the Town Council's general reserves by a minimum of £20k per year as part of a long-term plan working towards a general reserve fund of up to 6 months of precept. This will be dependent on working capital needs.