



SAXMUNDHAM TOWN COUNCIL

RESERVES POLICY

Annual Approval: October 2024

Minute Item: 81/24TC



General Reserves

The General Reserve comprises the Town Council's cash flow and contingency funds to cover unexpected inflation, unforeseen events, and unusual circumstances.

It is important that the level of General Reserve is appropriate to the size, situation, and risks of the Town Council and the budget should be planned so as to ensure that the adopted level is maintained. Consideration of the minimum level of reserves requires not only consideration of level of income and expenditure but also the risks to that income.

Local authorities with significant self-generated income (other than the precept) should consider situations that may lead to a loss in revenue as well as increased costs and adapt their General Reserve accordingly.

The Local Government Finance Act 1992 require local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. There is no specific minimum level of reserves that an authority should hold.

However, the generally accepted recommendation of the Joint Panel on Accountability and Governance ('JPAG'), for a local authority with income and expenditure in excess of £200,000, is to plan towards 3 months' equivalent General Reserve. The Town Council adopted the JPAG recommendation.

Earmarked Reserves

In addition to a General Reserve, the Town Council may and does set up specific Earmarked Reserves and Capital Reserves for designated purposes that may cross financial years.

The level of General Reserves held does not affect the level of Earmarked and/or Capital Reserves that a local authority may or should hold.

There is, in practice, no upper or lower limit to Earmarked Reserves or Capital Reserves save only that they must be held for genuine and identifiable purposes and 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.