



SAXMUNDHAM TOWN COUNCIL

RESERVES POLICY

Annual Approval: April 2025

Minute Item: 9/25TC



1. Introduction

This policy sets out the framework for the Town Council's management of its financial reserves in accordance with best practices and regulatory guidance.

It ensures that reserves are maintained at an appropriate level to support the Town Council's operational needs, financial risks, and long-term commitments.

2. Types of Reserves

The Town Council maintains two types of reserves:

2.1 General Reserves

General reserves are held to provide financial stability and flexibility to respond to unexpected events, emergencies, or unforeseen expenditure. These reserves act as a contingency fund and support cash flow requirements.

The recommended level of general reserves should be maintained at between three and twelve months of net revenue expenditure.

Smaller authorities are advised to hold a higher proportion, closer to twelve months, while larger authorities (income/expenditure exceeding £200,000) should aim for at least three months' equivalent expenditure.

Therefore, the Town Council will hold at least three months' equivalent expenditure.

The level of general reserves must be reviewed at least annually during budget setting.

2.2 Earmarked Reserves

Earmarked reserves are funds set aside for specific projects, future liabilities, or anticipated expenditure.

- These reserves must be held for genuine and identifiable purposes and regularly reviewed to ensure they remain justified.
- There is no upper or lower limit, but excessive levels may be questioned by auditors.
- The Town Council will review all earmarked reserves annually at budget setting to ensure they align with financial priorities.

3. Purpose and Use of Reserves

The reserves will only be used in the following circumstances:

3.1 General Reserves:



- To cover unexpected shortfalls in income or emergency spending.
- To provide working capital for cash flow needs.
- To manage risks, such as legal claims or loss of a revenue source.

3.2 Earmarked Reserves:

- To finance planned capital projects or significant maintenance work.
- To meet known or anticipated future liabilities.
- To cover contractual obligations, such as staff redundancy or major infrastructure improvements.

4. Monitoring and Reporting

- The Responsible Financial Officer (RFO) will monitor reserve levels and present a report to the Town Council at least annually, as part of the budget-setting process.
- The reserves position will be included in the financial statements and subject to audit.
- Transfers to or from reserves will require Town Council approval and must be minuted.

5. Review of Policy

- This policy will be reviewed annually to ensure it remains relevant and compliant with legal and financial regulations.
- Adjustments to reserve levels will be made in response to changes in financial risks, operational needs, or auditor recommendations.