



TICKHILL TOWN COUNCIL

Reserves Policy

Adopted February 2025

Introduction

Sections 31A and 42A of 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 specified minimum level of reserves that a Council should hold, in legislation, however guidance on reserves is provided within the JPAG Practitioners' Guide. It is the responsibility of the Responsible Financial Officer to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use.

Type of Reserves

Reserves can be categorised as earmarked or general reserves.

Earmarked Reserves

Earmarked reserves can be held for several reasons as follows:

- Money given under a Section 106 agreement to be spent on a specific project or area within the village.
- Money given under a Community Infrastructure Levy (CIL) agreement to be spent to support development by funding infrastructure that the council, local community and neighbourhoods want.
- Renewals – to enable the Council to plan and finance an effective programme of equipment and infrastructure replacement and planned property maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.
- Carry forward underspend - some services commit expenditure to projects but cannot spend the budget in that year. Reserves are used as a mechanism to carry forward these resources.
- Election Costs – An election could be called at any time if a vacancy becomes available.
- Other earmarked reserves may be set up from time to time to meet known or predicted liabilities.

Earmarked reserves will be established on a “needs” basis, in line with anticipated requirements. The Practitioners Guide states that “The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority’s general reserve is that this should be maintained at between three and twelve months of net revenue expenditure”.

Any decision to set up a reserve must be made by the Council at a full Council Meeting.

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Reserves should not be held to fund on-going expenditure. This would be unsustainable as, at some point, the reserves would be exhausted. To the extent that reserves are used to meet short term funding gaps, they must be replenished in the following year. However, earmarked reserves that have been used to meet a specific liability would not need to be replenished, having served the purpose for which they were originally established/agreed.

All Earmarked Reserves are recorded on a central schedule held by the Responsible Financial Officer which lists the various Earmarked Reserves and the purpose for which they are held.

Reviewing the Council's Financial Risk Assessment is part of the budgeting and year-end accounting procedures and identifies planned and unplanned expenditure items and thereby indicates an appropriate level of Reserves.

General Reserves

General Reserves are funds which do not have any restrictions as to their use. These reserves can be used to smooth the impact of uneven cash flows, offset the budget requirement if necessary or can be held in case of unexpected events or emergencies.

The level of General Reserves is a matter of judgement and so this policy does not attempt to prescribe a blanket level. The primary means of building general reserves will be through an allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves that have been consumed in the previous year.

Setting the level of General Reserves is one of several related decisions in the formulation of the [medium-term financial strategy and the annual budget. The Council must build and maintain sufficient working balances to cover the key risks it faces, as expressed in its financial risk assessment.

If in extreme circumstances General Reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Council would be able to draw down from its earmarked reserves to provide short-term resources.

Even at times when extreme pressure is put on the Council's finances the Council must keep a minimum balance sufficient to always pay three month's salaries to staff in General Reserves.

Current level of financial reserves

The level of financial reserves held by the council will be agreed by Tickhill Town Council during the discussions held regarding the setting of the budget for the next financial year.

Further guidance

[Practitioners Guide 2024](#)

(Source: Practitioners Guide 2024)

April 2024

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