Polegate Town Council

RESERVES POLICY

Policy Number 35		
Issue No.	**Date completed**	**Details of amendments**
1	22.05.23	Adopted at Annual Stat meeting
2	20.05.24	Adopted at Annual Stat meeting
3	19.05.25	Adopted at Annual Stat meeting
4	05.05.26	Adopted at Annual Stat meeting

1. Introduction

1.1 Polegate Town Council is required to maintain adequate financial reserves to meet the needs of the organisation. The purpose of this policy is to set out how the Council will determine and review the level of reserves.

1.2 Sections 32 and 43 of the Local Government Finance Act 1992 require Local Authorities to have regard to the level of reserves needed to meet estimated future expenditure when calculating the budget requirement. The level of reserves will vary according to local circumstances and will be informed by the future expenditure plans of the authority.

1.3 As authorities have no legal powers to hold revenue other than those for reasonable working capital needs, or for specifically earmarked purposes, whenever an authority year-end general reserve is significantly higher than the annual precept, and explanation must be provided to the external auditor.

1.4 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.

1.5 The Council conducts a review of its reserve through its annual budgeting process and, on an ongoing basis, through regular scrutiny of its finances through formal meetings and day-to-day management by the RFO.

2. Types of Reserves

General Reserves:

2.1 The general reserve represents the unspecified balances held by the Council. The purpose of the general reserve is to operate a working balance to help manage the impact of uneven cashflows during the financial year, and to provide a contingency amount for emerging or unforeseen events.

2.2 The balance of the general reserves will increase of decrease at the end of each financial year, subject to the final actual performance against the budget.

2.3 There is no definitive minimum or maximum level of general reserves that an authority should hold, although recommended guidance within the Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide recommends the level should be maintained at between three and twelve months of net revenue expenditure (NRE*). *NRE is defined as the precept less any loan repayments and/or amounts included for capital projects and transfers to earmarked reserves.

2.4 The Council aims to maintain the general reserve within the range of three to six months NRE and review these at least annually as part of the budget setting process.

Earmarked Reserves:

2.5 Earmarked reserves allow the accumulation of funds for use at a future date for specified planned expenditure projects. Balances on earmarked reserves will increase through decisions of the Council to add to the requirement and decrease as they are spent on the specified projects. Once a project has ended, the earmarked reserve will be closes, and any remaining balance transferred to the general reserve.

2.6 There is no minimum or maximum level of recommended earmarked reserves as this will depend entirely on the planned future projects of the authority.

2.7 Some earmarked reserves are restricted and can be used only for the purpose they were initially put aside for. These typically include:

- Section 106 and/ or Community Infrastructure Levy (CIL) – can only be used to fund certain items
- Capital Receipts – used for receipt of funds from the sale of any capital item valued at over £10,000. The funds can only be used to purchase another capital item and/or repay borrowing
- Some grants – may be restricted to the original reason for the grant award, and unused funds may be required to be returned to the granting body.

2.8 The Council aims to maintain a level of earmarked reserves appropriate to the level of future planned expenditure projects and review these at least annually as part of the budget setting process.

3. Monitoring and Reviewing Reserves:

3.1 The level of both general and earmarked reserves is monitored by the RFO through the accounting system and regularly reported to the Finance and Policy Committee.

3.2 Decisions to increase amounts held in earmarked on an annual basis will form part of the budget setting process, with formal approval confirmed by Council. In year decisions to transfer funds between reserves will be considered by the Finance and Policy Committee, with a recommendation put to Council for approval.

Statement prepared for adoption by Polegate Town Council at its meeting on 11.05.26

Signed by

Mayor of Polegate **Town Clerk/Proper Office/RFO**