



Budleigh Salterton Town Council

Reserves Policy

Version Control

Version Approved by Date

Review Date

1.0 Full Council 28.9.26 [Min 26.217] Annually during budget setting

1. Purpose

This policy establishes the framework for the management of the Council's financial reserves.

At the time of writing, it is acknowledged that further work is required to ensure full compliance with, and implementation of, the requirements and expectations set out within this policy. It ensures reserves are maintained at an appropriate level to safeguard the Council's financial sustainability whilst ensuring public funds are not accumulated unnecessarily.

The policy provides guidance on:

General Reserves; Earmarked Reserves; Reserve reviews; Creation and release of reserves; Governance arrangements; Good financial practice.

2. Legislative Framework

The Council has a statutory duty to consider the level of reserves required when setting its annual budget.

This policy has been prepared having regard to:

- Local Government Finance Act 1992
- Local Government Act 1972
- Smaller Authorities Proper Practices Panel (SAPPP) Practitioners' Guide (formerly JPAG)
- Accounts and Audit Regulations 2015
- NALC Good Councillor's Guide to Finance

The Practitioners' Guide states that:

"Authorities should maintain sufficient general and earmarked reserves to finance both day-to-day operations and future plans. Reserves should be reviewed and justified at least annually."

There is no statutory minimum or maximum level of reserves, however it is advised that a Town Council determine an appropriate level based upon its own financial risks and operational requirements.

3. Objectives

The Council will maintain reserves to:

- protect against financial uncertainty;
- maintain financial stability;
- fund future asset replacement;
- smooth significant fluctuations in expenditure;
- meet known future liabilities;
- provide resilience against emergencies;
- support long-term financial planning.

4. Principles

The Council will ensure that:

- reserves are held only for legitimate purposes;
- reserve levels are evidence based;
- all reserves are reviewed annually;
- reserves are transparent and publicly reported;
- reserves are not used to support unsustainable recurring expenditure;
- reserve movements are approved by Council.

5. Types of Reserves

The Council maintains two categories of reserves.

General Reserves & Earmarked Reserves

5.1 General Reserve

The General Reserve represents the Council's working balance.

Its purposes are to:

- provide working capital;
- manage cash flow;
- respond to unforeseen expenditure;
- meet emergency costs;
- provide resilience against financial risk.

5.2 Earmarked Reserves

Earmarked Reserves are sums set aside for specific approved purposes.

Typical examples include:

- building maintenance; roof replacement; vehicle replacement; play equipment renewal; election costs; IT replacement; climate change projects; cemetery development; public conveniences; grants programme; capital projects.

Budleigh Salterton Town Council Reserves, Noted Min 26.217 are

- Car Park Reserve
- Public Hall Reserve
- Jubilee Shelter Reserve
- Town Improvement Reserve
- Community Infrastructure Levy Reserve
- Community Asset Transfer Reserve
- Station Road Toilets Reserve

Each earmarked reserve shall have:

- a clearly defined purpose;
- an approved target balance, where appropriate;
- an anticipated timescale for its use;
- a nominated officer responsible for monitoring the reserve, normally the Responsible Financial Officer (RFO), with oversight by Full Council as appropriate; and
- be subject to review by the Council at least annually as part of the budget-setting process.

6. Determining the General Reserve

The Council recognises that reserve levels should reflect its individual circumstances.

The Practitioners' Guide recommends that General Reserves normally equate to between three and twelve months of net revenue expenditure.

Authorities with annual expenditure exceeding approximately £200,000 would normally be expected to maintain reserves towards the lower end of that range, subject to local risks and circumstances.

7. Earmarked Reserves

Earmarked Reserves may only be established by resolution of Full Council.

Each reserve shall include:

- name of reserve;
- purpose;
- date established;
- target balance;
- current balance;
- annual contribution;
- anticipated expenditure;

- review date.

The Responsible Financial Officer (RFO) shall maintain a Reserve Register.

8. Asset Replacement Reserves

The Council owns significant community assets which require planned replacement.

Where practical, the Council will establish sinking funds for:

- roof replacement;
- heating systems;
- catering equipment;
- furniture;
- public buildings.

9. Use of Reserves

Reserves should normally be used only for:

- one-off expenditure;
- capital projects;
- asset replacement;
- emergency expenditure;
- approved strategic priorities.

They should not routinely be used to balance recurring revenue budgets.

10. Transfers Between Reserves

Transfers (virements) between reserves require approval by Full Council unless delegated within the Financial Regulations.

The Council minutes shall clearly record:

- amount transferred;
- originating reserve;
- receiving reserve;
- purpose;
- financial implications.

11. Monitoring

The RFO shall report reserve balances:

- quarterly;
- at year-end;
- during budget setting;
- whenever significant changes occur.

Reports should identify:

- opening balance;
- additions;
- expenditure;
- transfers;
- closing balance;
- explanation of significant movements.

12. Annual Review

As part of the annual budget process the Council shall review:

- all earmarked reserve;

- the adequacy of General Reserve;
- any new financial risks;
- any planned capital expenditure;
- external inflationary pressures;

Reserves no longer required should be released by Council resolution.

13. Good Practice

The Council will seek to adopt the following good practice:

- maintain a published Reserve Register;
- support reserves with lifecycle costing*;
- avoid creating reserves without defined purposes;
- avoid excessive accumulation of public funds;
- review reserve adequacy annually;
- maintain transparency within budget reports;
- use reserves primarily for one-off expenditure;
- replenish General Reserves where they have been used to address exceptional circumstances;
- regularly review financial risks to ensure reserve levels remain appropriate.

14. Responsibilities

Full Council

Responsible for:

- approving this policy;
- approving reserve levels;
- establishing earmarked reserves;
- approving significant reserve movements;
- annual review.

Responsible Financial Officer

Responsible for:

- maintaining reserve records;
- advising Council on reserve adequacy;
- reporting balances;
- ensuring compliance with proper accounting practice;
- maintaining the Reserve Register.

15. Review

This policy shall be reviewed annually during the budget-setting process or sooner if:

- legislation changes;
- accounting guidance changes;
- significant financial risks arise;
- Council responsibilities materially change.

References

- Local Government Finance Act 1992
- Local Government Act 1972
- Accounts and Audit Regulations 2015
- Smaller Authorities Proper Practices Panel (SAPPP) Practitioners' Guide (latest edition)
- National Association of Local Councils (NALC) – *The Good Councillor's Guide to Finance and Transparency*

*Life-cycle costing means looking at the total cost of an asset, including its maintenance, repairs and eventual replacement, over the time the Council expects to use it.

Adopted