



## Arundel Town Council Reserves Policy

Version	Date of Adoption	Minute Ref	Review Date	Owner
2024/25	30/04/2025	F197a	March 2026	RFO

### Executive Summary

Arundel 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 its general and earmarked reserves.

The Council will hold general reserves for two main purposes:

1. A working balance to help cushion the impact of uneven cash flows.
2. A contingency to cushion the impact of unexpected events or emergencies.

The Council will hold earmarked reserves for four main purposes:

1. Renewals – to facilitate services, to plan and finance an effective programme of equipment and infrastructure replacement and planned asset maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.
2. Carry forward of underspend – some services commit expenditure to projects but cannot be spent from the budget in year. Reserves are used as a mechanism to carry forward these resources.
3. Insurance reserve – to enable the Council to meet the excesses of claims not covered by insurance.
4. Other earmarked reserves may be set up from time to time to meet known or predicted liabilities.

### 1. Legal Requirements

- (a) Sections 32, 43 and 50 of the Local Government Finance Act 1992 require local authorities to have regard to the level of reserves needed for meeting estimated expenditure when calculating the budget requirement.
- (b) The Smaller Authorities Proper Practices Panel (SAPPP) – formally JPAG have issued in their “Proper Practices Guide” information regarding reserves which has the weight of law.
  - i. “Para 1.13 Reserves - The authority needs to have regard to the need to put in place a General Reserve Policy and have reviewed the level and purpose of all Earmarked Reserves. Supporting information on financial management and the preparation of accounting statements can be found in Section 5.”

## 2. Types of Reserves

Local authorities have no legal powers to hold reserves other than those for reasonable working capital needs, or for specifically earmarked purposes.

### General Reserves

- (a) The general reserves are funds which do not have any restrictions as to their use. These are sometimes referred to as ‘working balances’. 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 thereby enabling the Council to meet its legal, statutory and proper duties and responsibilities.
- (b) SAPPP recommend the level of general reserve should be “*should be maintained at between three and twelve months of net revenue expenditure*” para 5.34.
- (c) Arundel Town Council will seek to maintain general reserves equivalent to 80% of the total expenditure for the new Council Financial Year minus the precept.
- (d) If general reserves are used to meet short term funding gaps, they must be replenished in the following year.
- (e) Virements<sup>1</sup> may be made by the Council at any time during the year - both to and from reserves (general and earmarked) by resolution of the Full Council.
- (f) The Town Council reviews and is asked to approve the level of reserves at the end of each financial year.

### Earmarked Reserves

- (g) Earmarked reserves represent amounts that are generally built up over a period of time which are for specific items of expenditure to meet known, or anticipated liabilities or projects. The ‘setting aside’ of funds to meet known future expenditure reduces the impact of meeting the full expenditure in one year. The Council, when establishing an earmarked reserve, will set out:
  - i. The reason/purpose of the reserve.
  - ii. How and when the reserve can be used.
  - iii. Procedures for the management and control of the reserve.

- iv. A process and timescale for review of the reserve to ensure continuing relevance and adequacy.
- (h) Earmarked reserves will be established on a “needs” basis, in line with planned or anticipated requirements.
- (i) As outlined in the regulations, any decision to set up a reserve must be made by the Council.
- (j) Expenditure from reserves can only be authorised by the Full Council, not by Committees.
- (k) All earmarked reserves will be recorded on a schedule held by the Responsible Financial Officer which lists the various earmarked reserves and the purpose for which they are held.

### **3. Governance regarding the Balances and Reserves**

- (a) Arundel Town Council will review its Financial Reserves Policy annually as part of the budget process. The levels of general reserves (which change throughout the year) will be reviewed, to establish whether they are still required and whether the levels are still appropriate.
- (b) The Council will have the opportunity to review the levels of earmarked reserves held in accordance with the Council’s Financial Regulations and make recommendations for the creation of additional earmarked reserves as part of the annual budgeting process.