Snodland Town Council

Reserves Policy

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Introduction

The Town Council is required by statute to maintain financial reserves sufficient to meet the needs of the organisation and in addition has statutory limitations on how it spends certain receipts which it must ensure are accounted for separately to the Council's general funds.

Whilst there is no statutory minimum (or maximum) level of reserves, the Council should only hold revenue reserves for reasonable working capital needs or specific earmarked purposes.

The Smaller Authorities Proper Practices Panel Practitioners' Guide, which sets out the 'proper practices' for how the Council must maintain its accounts, recommends that the minimum level of general reserves should be between three and twelve months of net revenue expenditure. Net revenue expenditure is defined as precept, less amounts included in precept for loan repayment, capital projects & transfers to reserves. Snodland Town Council feel that for an authority of the Council's size that 6 months is appropriate

The Council's Internal and External Auditors review the Council's reserves and their justification annually.

This policy sets out how the Council will manage its reserves and is separate to the Council's Investments Policy which sets out how the Council will hold its reserves.

General reserve

The general reserve is not ringfenced (earmarked) for any specific expenditure, but is intended to cover the following working capital needs:

- To smooth the impact of uneven cashflow
- Cover unexpected/emergency expenditure

The general reserve will be replenished as part of the budget process in any year where it has been utilised for unexpected/emergency expenditure.

Earmarked reserves

The Council may establish ringfenced (earmarked) reserves for any reason where it reasonably believes it may incur expenditure in the future. The Council's current earmarked reserves will be published annually on the Town Council's website.

Consideration of short-term financial risks

To assess the adequacy of the general reserve, the Council has considered the strategic, operational, and financial risks faced. The short-term risks that the Town Council faces, with reference to its current plans include:

Lower than expected income

- Other income - the revenue estimates forming the basis of the precept includes predicted income from a range of sources, such as cemetery income, Pavilion Cafe, and letting and hiring income. This is difficult to predict with accuracy. If income received were to fall below the budgeted level, then the balance could be funded from general reserves.
- Other risks – e.g., Inflation and cost of living crisis may impact on availability of other income sources, as well as customers and spending habits.

Higher than expected costs due to:

- Inflation increases, in particular the energy sector;
- Unexpected professional fees;
- Shortage of staff resources;
- Other risks – e.g., Coronavirus has resulted in higher expenditure in recent years

Consideration of longer-term financial risks

Longer term financial risks faced by the Council include:

- Funding the repairs or replacement of assets