



Adopted July 2026
Review July 2027

Reserves Policy

Dalton with Newton Town Council

PURPOSE

Dalton with Newton Town Council is required to maintain adequate financial reserves to meet the needs of its operations and to ensure financial stability. This policy sets out how the Council will determine, maintain and review its reserves.

The Smaller Authorities Proper Practices Panel (SAPPP) Practitioners' Guide 2026/27 states:

"As with any financial entity, it is essential that authorities have sufficient reserves (general and earmarked) to finance both their day-to-day operations and future plans. It is important, however, given that their funds are generated from taxation/public levies, that such reserves are not excessive."

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.

There is no statutory minimum level of reserves. It is the responsibility of the Responsible Financial Officer (RFO) to advise the Council on the adequacy of reserves and to ensure appropriate procedures are in place for their establishment, maintenance and use.

RESERVES POLICY PRINCIPLES

The Council will:

- Maintain reserves that are adequate to meet operational needs, identified risks and future commitments.
- Review all reserves at least annually as part of the budget-setting process.
- Ensure reserves are not accumulated unnecessarily.
- Clearly identify and justify the purpose of all Earmarked Reserves.
- Publish reserve levels through the Council's financial reporting and annual accounts.

Reserves are not the same as cash balances. The Council's reserves may be represented by cash or other assets and should be considered alongside the Council's cash flow requirements.

TYPES OF RESERVES

The Council maintains two categories of reserves:

- a) General Reserves
- b) Earmarked Reserves (EMRs)

GENERAL RESERVES

General Reserves are funds which are not earmarked for any specific purpose. They provide a financial buffer to protect the Council against unexpected expenditure, emergencies, fluctuations in income and cash flow requirements.

The SAPP Practitioners' Guide 2026/27 recommends that General Reserves should normally be maintained at between three (3) and twelve (12) months Net Revenue Expenditure (NRE), depending upon the size and circumstances of the authority.

Net Revenue Expenditure is calculated as:

Precept and other recurring income
less loan repayments
less transfers to Earmarked Reserves
less amounts set aside for capital expenditure.

As Dalton with Newton Town Council has annual expenditure in excess of £200,000, the Council will aim to maintain a minimum General Reserve equivalent to three (3) months Net Revenue Expenditure.

The level of General Reserve shall be reviewed annually as part of the budget-setting process and may be adjusted to reflect changes in the Council's financial position, risk profile or future commitments.

Where General Reserves fall below the target level, the Council will seek to replenish them over a reasonable period through future budgets.

EARMARKED RESERVES (EMRs)

Earmarked Reserves are funds set aside for specific purposes, projects, liabilities or future expenditure.

EMRs may be established for:

- Asset renewal, replacement and major repairs.
- Property maintenance and refurbishment.
- Carry-forward of funds for approved projects not completed within the financial year.
- Developer contributions, including Community Infrastructure Levy (CIL) and Section 106 monies, where expenditure is restricted by legislation or agreement.
- Election costs.
- Insurance excesses or uninsured risks.
- Other known or anticipated liabilities approved by the Council.

EMRs shall only be used for the purpose for which they were established.

All EMRs must:

- Have a clearly identified purpose.
- Be supported by an appropriate level of funding.
- Be reviewed annually.
- Be approved by Full Council.

Where an EMR is no longer required, or where funds exceed the amount reasonably required, the Council may transfer all or part of the balance to General Reserves or another Earmarked Reserve.

CREATION AND USE OF RESERVES

The creation, amendment or closure of an Earmarked Reserve must be approved by Full Council.

The use of General Reserves or Earmarked Reserves shall be authorised by Full Council through the budget process or by specific Council resolution.

Where Earmarked Reserves are temporarily used to support cash flow or unforeseen expenditure, the Council shall consider whether replenishment is necessary as part of the next budget review.

MONITORING AND REVIEW

The Responsible Financial Officer shall maintain a schedule of all reserves showing:

- Opening balance.
- Transfers in.
- Transfers out.
- Closing balance.
- Purpose of reserve.

Reserve balances and movements shall be reported regularly to the Finance Committee and Full Council as part of budget monitoring reports.

The Council shall review this policy annually and whenever there are significant changes in legislation, guidance or the Council's financial circumstances.

REVIEW

This policy will be reviewed annually by the Finance Committee and approved by Full Council.

Signed.....
Chair

Date.....

Minute Number.....