NORTHALLERTON TOWN COUNCIL

Reserves Policy

Adopted:18/07/2022
Reviewed: 20/07/2026
Next Review: May 2029

1. Introduction

1.1. 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.

1.2. Whilst there is no statutory minimum (or maximum) level of reserves, the council has no power to hold revenue reserves other than those for reasonable working capital needs or specific earmarked purposes.

1.3. The Joint Panel on Accountability and Governance (JPAG) 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. For an authority of the Northallerton Town Council's size, it states that the council should plan towards 3 months equivalent general reserve.

1.4. 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.

2. General Reserve

2.1. The general reserve is not ring fenced (earmarked) for any specific expenditure. Its purpose is to smooth the impact of uneven cash flow or cover unexpected/emergency expenditure. It is not intended to fund on-going expenditure.

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

2.3. The council will hold a general reserve of at least 3 months of its net revenue expenditure.

3. Earmarked Reserves

3.1. The council may establish ring fenced (earmarked) reserves for any reason where it reasonably believes it may incur expenditure in the future. The council's current earmarked reserves include the following:

3.1.1. Elections Reserve

3.1.1.1. This earmarked reserve is to cover the cost of by-elections.

3.1.1.2. The reserve will be held at the approximate cost for one by-election of £4,000.

3.1.1.3. The council may determine to lower the reserve immediately before/after ordinary election years where the likelihood of a by-election is lower.

3.1.2. Joint Burial Committee reserves

3.1.2.1. This earmarked reserve is to cover anticipated expenses for equipment and premises within the Joint Burial Committee

3.1.3. CIL Receipts Reserve

3.1.3.1. CIL Receipts are subject to statutory restrictions requiring they only be used for certain kinds of expenditure.

3.1.3.2. In accordance with Financial Regulations the council will hold a CIL Receipts Reserve to ensure CIL receipts are separately accounted for.

4. Review and Variation to Policy

4.1. This policy will be reviewed annually by the Finance Committee as part of setting the council budget.

4.2. Where it determines there is justification for doing so, the Finance Committee (or Council) may make decisions which are at variance to this policy