



SHANKLIN TOWN COUNCIL

RESERVES POLICY

INTRODUCTION

Shanklin Town Council is required to maintain adequate Financial Reserves to meet the needs of its operations and to ensure financial security.

The Joint Panel on Accountability & Governance Practitioners Guide SAPP (Formerly JPAG) advises:

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

Sections 32 & 43 of the Local Government Finance Act 1992 require local authorities to have regards to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. However, there is no specific minimum level of reserves which an authority should hold.

TYPES OF RESERVE

These may be categorised as either Earmarked or General Reserves.

EARMARKED RESERVES

There is, in practice, no upper or lower limit to Earmarked Reserves. They are funds set aside for specific projects, initiatives, or expenditures. These reserves allow us to allocate resources based on their priorities. Earmarked Reserves shall only be used for the purpose for which they were created and subject to regular review. Earmarked Reserves must be separately identified and enumerated.

Earmarked Reserves are a means of building up funds over several years to deliver a defined project, predicted liabilities or for known significant expenditure.

The Town Clerk RFO will note earmarked reserves movements at the end of the financial year.

GENERAL RESERVES

General Reserves are funds held without any specific purpose, serving as financial safety net for unseen expenses, emergencies. These reserves help maintain stable finances and ensure the Town Council can continue to deliver essential services, even during challenging circumstances.

The SAPP recommends that appropriate levels to be maintained are between three and twelve months of net revenue expenditure. The reason for the wide range is to cater for the large variation in activity level between individual authorities.

In practice, any authority with income and expenditure in excess of £200,000 should plan towards 3 months equivalent general reserve.

General reserves contribute to the Town Council's overall financial health and support long-term sustainability.

EXAMPLES OF GENERAL RESERVES USAGE INCLUDE:

Covering unexpected costs or budget shortfall.

Responding to emergencies or natural disasters.

Providing financial stability during economic downturns or periods of reduced funding.

Ensuring continuity of Town Council operations and services.

The level of General Reserves shall be reviewed on an annual basis during the annual budgetary review. The minimum level of General Reserve shall be recommended to the Town Council by the Responsible Finance Officer. This will form part of the recommendations for the Annual Budget & Precept request by the Town Council.

This policy will be reviewed annually.