

Barton Upon Humber Town Council

Reserves Policy

Reserves Policy – 21st July 2025, due for review April 2026

This policy sets out how the Town Council will ensure that an appropriate level of reserves is maintained.

INTRODUCTION

Barton Upon Humber Town Council (the Council) is required to maintain sufficient financial reserves to meet the needs of the organisation. By statute it should have regard, when setting its budget, for:

1. the financial reserves which the authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure; and
2. such financial reserves as are sufficient to meet so much of the amount estimated by the authority to be a revenue account deficit for any earlier financial year as has not already been provided for.

The Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide specifies that:

“The authority needs to have regard to the need to put in place a General Reserves Policy and have reviewed the level and purpose of all Earmarked Reserves”

There are two types of reserves:

General Reserves

The general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances. The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at 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. The smaller the authority, the closer the figure may be to 12 months expenditure, the larger the authority, the nearer to 3 months. In practice, any authority with income and expenditure in excess of £200,000 should plan towards 3 months equivalent

general reserve. In all of this it is important that each authority adopt, as a general reserve policy, the level appropriate to their size, situation, risks and plan their budget so as to ensure that the adopted level is maintained. Consideration of the minimum level of reserves requires not only consideration of the level of income and expenditure but also the risks to that income. Authorities with significant self-generated income (other than the precept or levy) should take into account situations that may lead to a loss in revenue as well as increased costs and adapt their general reserve accordingly.

Earmarked Reserves

Those reserves that are set aside for a specific purpose or to counter a specific known risk. Saving for a specific project could be managed through an earmarked reserve. None of the above in any way affects the level of earmarked and/or capital receipts reserves that an authority may or should hold. There is, in practice, no upper or lower limit to EMR/CRRs save only that they must be held for genuine and identifiable purposes and projects, and their level should be subject to regular review and justification (at least annually and at budget setting), and should be separately identified and enumerated. Significant levels of EMRs, in particular, may give rise to enquiries from internal and/or external auditors.

POLICY STATEMENT

The Council will not allow its general reserve to fall below the minimum requirement of 3 months running costs plus 10%, calculated using the annual precept figure or the previous year's net running costs (whichever is the highest).

In 2024/25 annual precept was £228,187

It follows that one month's average running costs total 19,015.83 - 3 months average running costs total £57,046.74 based on 2024-2025 budget.

Council 2025-2026

Budget is £294,341.00

General Reserves is £100,148

EMR Special Projects £4,700.00

Environment Underspend £18,370.00 added to Special Projects

Assembly Rooms Windows £20,000.00

3 months running costs **£73,585.24**

General Reserves 1st April 20205 **£100,148**