



# **Lostwithiel Town Council**

## **Reserves Policy**

**Policy on Reserves**

**Approved 16 December 2025 Minute**

**256/25**

## **1. Purpose**

- 1.1 Lostwithiel Town Council is required to maintain adequate financial reserves to meet the needs of the organisation. The purpose of this policy is to set out how the Council will determine and review the level of reserves.
- 1.2 Local authorities need to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. There is no specified minimum or maximum level of reserves that an authority should hold. It is the responsibility of the Councillors and the Responsible Financial Officer (RFO) to determine the level of reserves and to ensure that there are procedures for their establishment and use.
- 1.3 The Smaller Authorities' Proper Practices Panel on Governance and accountability for smaller authorities in England Practitioners Guide (SAPPP) 2025 edition advises:-

### **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 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 and other reserves:

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

## **2. Types of Reserves**

- 2.1 General Reserves are held to cushion the impact of uneven cashflows or unexpected events. They provide a working balance and a contingency. In general, a robust level of reserves should be maintained and take account of operational and financial issues facing the Town Council. These are funds which do not have any restrictions as to their use.
- 2.2 Earmarked Reserves can be held for several reasons. They provide a means of accumulating funds, for use in a later financial year, to meet known planning policy initiatives. The money is held for specific items of expenditure to meet known or predicted liabilities or projects. Earmarked reserves can be used to 'smooth' the effects of certain expenditure commitments over a period of time thereby reducing the impact of significant expenditure in any one year.

Typically, they are held for four main reasons: -

- a) Renewals
- b) To carry forward an underspend
- c) To indicate commitment to a capital project
- d) To meet known or predicted liabilities

## **3. Review of Reserves**

- 3.1 The level of both General and Earmarked Reserves will be reviewed at least annually and will always be part of the budget setting process. A level of General Reserve will be maintained which equates to between 3- and 12-months expenditure.

#### **4. Governance**

4.1 This policy will be reviewed by Council every year.