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RESERVES POLICY

Policy Reference Number: 051

Author: Deputy Town Clerk and RFO

Responsibility: Full Council

Grade: One - High - Annual

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0.1	14/03/2023	Deputy Town Clerk	

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1. OVERVIEW

- 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 council's size, it states that the lower end (three months, or 25%) is appropriate.
- 1.4 The council's Internal and External Auditors review the council's reserves and their justification annually.
- 1.5 This policy sets out how the council will manage its reserves and is separate to the council's Investments Policy which sets out how the council will hold its reserves in relation to investments held.

2. GENERAL RESERVE

- 2.1 The general reserve is not ringfenced (earmarked) for any specific expenditure. Its purposes is to smooth the impact of uneven cashflow or cover unexpected or 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 25% of its net revenue expenditure NRE this is the difference between its budgeted income and expenditure less any budgeted capital expenditure, expenditure from earmarked reserves and budgeted transfers to reserves.
- 2.4 There will be occasions where the council commits to expenditure from its current year budget but does not spend/incur the debt during the financial year. in this case it will be transferred back to the general reserves, or a relevant earmarked reserve as previously agreed by Full Council.

3. EARMARKED RESERVES

- 3.1 The council may establish ringfenced (earmarked) reserves for any reason where it reasonably believes it may incur expenditure in the future. The council's current earmarked reserves are detailed below.

311 EMR - Rename to Town Hall Capital

Committed to future potential Town Hall/offices project

314 EMR - Town Capital Replacement

Partially committed to Signage & market resurface additional infrastructure. Any underspend from annual budget revenue line 500/4177 (Capital Replacement Fund) to be transferred to this EMR at year end.

315 EMR - Skatepark

This earmarked reserve is to build a funding pot to contribute towards future Skatepark capital replacement. The council will usually increase the reserve by £1,000 each year. There is no specific target level for the reserve.

316 EMR - Neighbourhood Plan

Committed to completing the Shepton Mallet Neighbourhood Plan.

318 EMR - Strawberry Line

Need project detail

320 EMR - Professional fees & Elec

This earmarked reserve is to cover the cost of by-elections and any professional fees not covered by the current budget. Any underspend from annual budget revenue line 200/4168 (Elections) to be transferred to this EMR at year end.

322 EMR - CP Feasibility Study

Committed funds for Phase 2 of the redevelopment of Collett Park

325 EMR - Wayfinding Signage

Committed funds for ongoing signage improvement in Shepton Mallet

327 EMR - CP non play capital Replacement

Any underspend from annual budget revenue lines coded 600/700 (Collet Park Management and Festival) to be transferred to this EMR at year end.

328 EMR - Library Support

Committed funds for the Service Level Agreement in place for the library. £15k per Annum.

329 EMR - People & Promotion

Committed fund for projects resulting from the new Strategic Town Plan, 2024-2028

330 EMR - Collett Park Play Installation

Committed funds for Phase 1 of the redevelopment of Collett Park

331 EMR - Twinning

Committed funds to cover costs associated with Town Twinning events.

333 EMR - S106**334 EMR – Collett Park Play Capital Replacement**

£15,000 initial. Recommend 10K plus inflation annual budget amount for future replacement needs.

4. REVIEW AND VARIATION TO POLICY

- 4.1 This policy will be reviewed annually by the Policy and Resources Committee as part of setting the council budget.
- 4.2 Where it determines there is justification for doing so, the Policy and Resources Committee (or Council) may make decisions which are at variance to this policy, that by only using specified investments that the officers and members involved in determining the placement of investments have sufficient capability and skills.