BISHOP AUCKLAND TOWN COUNCIL

Financial Reserves Policy

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Review Panel	Full Council

In accordance with the Freedom of Information Act 2000, this document is available on the Council's Website www.bishopauckland-tc.gov.uk and copies of this document will be available for inspection on deposit in the Town Council Office, 54 Kingsway, Bishop Auckland, DL14 7JF.

Costs are as per the publication scheme.

1 Contents

1. Purpose of the Policy

The purpose of this Reserves Policy is to set out the Town Council's approach to the establishment, maintenance and use of reserves. The policy ensures that reserves are managed prudently, transparently and in accordance with proper accounting practices, supporting the Council's financial resilience and long-term sustainability.

2. Legal and Governance Framework

This policy has regard to:

- Proper Practices in relation to Local Authority Accounting and Governance
- The Local Government Finance Act 1992 (as amended requires) local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- The statutory requirement for Town and Parish Councils to set and manage budgets responsibly
- Guidance from the National Association of Local Councils (NALC) and external auditors

The level of reserves held by the Council shall be reviewed annually as part of the budget-setting process and reflected in the Council's Medium-Term Financial Planning.

3. Types of Reserves

The Council recognises two main types of reserves:

3.1 General Reserves

General reserves are funds held to meet unexpected expenditure, cash-flow requirements, known risks, and to provide financial stability.

General reserves may be used for:

- Emergency or unforeseen costs
- Short-term cash-flow support
- Supporting service continuity where income fluctuates
- One-off expenditure not included in the annual budget

General reserves must not be used to fund recurring revenue expenditure on an ongoing basis.

3.2 Earmarked Reserves

Earmarked reserves are funds set aside for specific, defined purposes. They are established by formal resolution of the Council.

Examples may include:

- Asset replacement and maintenance

- Capital projects
- Election costs
- IT or digital transformation
- Event delivery
- Staffing or organisational development
- Allotments or service-specific contingencies

Each earmarked reserve shall:

- Have a clear purpose
- Be supported by an estimated target value
- Be reviewed annually
- Be released back to General Reserves when no longer required

4. Level of General Reserves

The primary means of building general reserves will be through an allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves that have been consumed in the previous year. Agreeing the level of general reserves is one of several related decisions in the formulation of the medium-term financial strategy and the annual budget for the council.

The Council must build and maintain sufficient working balances to cover the key risks it faces, as expressed in its financial risk assessment.

If in extreme circumstances general reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Council would be able to draw down from its earmarked reserves to provide short-term resources.

Even at times when extreme pressure is put on the council's finances the council must keep in general reserves at all times, a minimum balance sufficient to pay staff during any notice period to terminate employment and any redundancy pay which may become due.

The level of general reserves is a matter of judgement therefore this policy does not attempt to prescribe a blanket level, but does have a recommend level for the council to hold, which is a General Reserves equivalent to between 6 and 12 months of net annual expenditure, having regard to:

- Size and complexity of the Council
- Number of staff employed
- Extent of service provision
- Exposure to financial risk
- Ability to respond to emergencies or unforeseen events

The Council will justify and record the level of General Reserves held at each year-end as part of its budget and financial statements.

5. Use of Reserves

Reserves shall only be used:

- In accordance with this policy
- Following approval by the Council (or appropriate committee under delegated authority)
- For the purpose for which they are held

The use of reserves will normally be planned as part of the budget process, except in cases of genuine urgency or emergency.

6. Review and Monitoring

- The balance and purpose of reserves will be reviewed at least annually
- Movements in reserves will be clearly shown in the Council's accounts
- The Clerk / Responsible Financial Officer will report on reserves as part of regular financial monitoring with the Policy and Resources Committee and Full Council.

7. Transparency and Accountability

The Council is committed to transparency in its financial management. Details of reserves will be included in:

- Budget reports
- Year-end financial statements
- Public documents as appropriate

This ensures accountability to residents, members and auditors.

8. Policy Review

This Reserves Policy shall be reviewed annually, or sooner if:

- There is a significant change in the Council's responsibilities
- There are material changes to financial regulations or guidance
- Circumstances arise that significantly affect the Council's financial position