

To receive a report on the level of Town Council General Reserves, Contingency and Earmarked Reserves and consider any actions and associated expenditure

Report to: Policy and Finance Committee

Date of Report: 18 November 2025

Officer Writing the Report: Town Clerk / Responsible Finance Officer

Purpose of the Report:

To ensure Members receive a comprehensive overview of the Town Council's level of reserves, including current and predicted balances to protect against risk and to support investment in future projects whilst ensuring that the recommended levels are maintained – Joint Panel on Accountability and Governance (JPAG) Practitioners Guide.

Officers Recommendation:

Members are asked to review and evaluate the rationale for Saltash Town Council's levels of General Reserves, Contingency, and Earmarked Reserves, taking into account the information provided in this report and the guidance set out in JPAG, before recommending the appropriate levels for the 2026–27 financial year to Full Council.

Please refer to the attached Capital and Reserves Spreadsheet for detailed figures and the Town Council's Annual Reserves Policy last reviewed April 2025.

Please note the internal auditors report year ended 31 March 2025:

Adequacy of Reserves

After allowing for earmarked reserves of £795,779 the general reserve stands at £1,188,002; equating to 70% of gross expenditure which is within generally accepted parameters.

Report Summary:

JPAG Introduction:

The Joint Panel on Accountability and Governance is responsible for issuing proper practices about the governance and accounts of smaller authorities.

Reserves:

It is essential that authorities have sufficient general and earmarked reserves to finance both the day-to-day operations and future plans the Town Council may have (Section 5.31).

The Town Council has no right to accumulate funds via the precept. All reserves should be reviewed and justified annually. It is good practice to transparently publish both the level and rationale of all reserves (Section 5.32) – **This will be a key responsibility for the Responsible Finance Officer (RFO) upon their appointment**
General Reserves:

5.33 The general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances.

5.34 The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained between three and twelve months of net revenue expenditure.

5.35 The reason for the wide range is to cater for the large variation in activity level between individual authorities. The smaller authority, the closer the figure may be to 12-month 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.**

5.36 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.

5.37 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.

The risk of revenue loss for Saltash Town Council is considered very low, as only approximately £100,000 of income is self-generated (bank interest, burials & memorials, allotments, room hire etc) compared to the approved budget. The Town Council's primary source of income is the precept.

Earmarked and other reserves:

5.38 None of the above in any way affects the level of earmarked and/or capital receipts reserves that an authority may or should hold.

5.39 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.

Precept via Cornwall Council:

The following question was submitted to the Cornwall Association of Local Councils (CALC) in 2024, prompted by the ongoing financial position that Cornwall Council continues to face today:

- Can principal authorities, in this case, Cornwall Council, declare themselves bankrupt, if so, would there be any impact to the Saltash Town Council precept?

CALC confirmed that principal authorities can't declare themselves bankrupt. If it looks like their expenditure will exceed their income, the Section 151 officer must issue a Section 114 notice, which makes any non-essential expenditure unlawful. The council must then make efforts to balance the books, usually by cutting expenditure.

If this doesn't work, there are several approaches that the Government can take, such as:

- Allowing the authority to use capital receipts to meet costs
- Raising the referendum limit to allow a bigger council tax increase (Croydon was allowed a 15% increase for 2023/24)
- Issue directions on what action the council must take
- Appointing commissioners to temporarily run the council
- Direct financial assistance (which is very rare)

Money collected from council tax and non-domestic rate payers is kept in the Collection Fund, separate from Cornwall council's own money. Cornwall Council cannot help itself to money collected for parishes, or fire and police authorities, or the portion of NNDR due to the Government. It is still required to pay those funds over to the authorities the money was collected for.

I recently attended Cornwall Council's Finance Briefing alongside the Deputy Mayor and took the opportunity to raise the question directly with the relevant Cornwall Council Officers. Their response was consistent with the advice previously provided by CALC in 2024: there is no threat to Saltash Town Council's precept.

Budget Overview

To maintain Saltash Town Council's contingency level for 2026–27 at 5.06 months (equivalent to £700,760), an additional £17,071 must be allocated from General Reserves. This will ensure the contingency level remains in line with the Town Council's directive to the RFO.

Saltash Town Council contingency level at 3 months based on the year figures for 2026-27 is £415,470 reducing the current value by £268,219. This would then increase General Reserves from £560,407 to £828,626.

Signature of Officer:

Town Clerk / RFO