

Reserves Policy

Adopted May 2018 Minute ref: 34/18

1. Policy Background

The Council is required by statute to maintain adequate financial reserves to meet the needs of the organisation. The Local Government Finance Act 1992 requires that billing and precepting authorities have regard to the level of reserves needed to meet their estimated future expenditure when calculating the budget requirement.

The Council's policy on the establishment, maintenance and adequacy of its reserves and balances will be considered annually.

The Council will hold reserves for the following main reasons:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing
- A contingency to cushion the impact of unexpected events or emergencies
- A means of building up funds in the form of earmarked reserves to meet known or predicted future requirements.

2. General Fund

The general fund is the balance on the Council's revenue account which is not held for any specific purpose other than to cushion the council's finances against any short-term problems in cash flow.

The general fund balance is to be maintained at a level based upon the annual risk assessment carried out by the Responsible Finance Officer (RFO) during the budget setting process. Any surplus on the required balance can be appropriated to earmarked reserves or used to limit any increase in the precept.

3. Earmarked Reserves

Earmarked reserves represent amounts that are set aside for specific items of expenditure to cover anticipated liabilities or planned projects. This spreads the cost, reducing the financial burden on any one year.

The decision to set up an earmarked reserve must be made by the Council.

When establishing a reserve, the Council will set out:

- The reason for the reserve
- How and when it can be used

All earmarked reserves will be reviewed annually during the budget setting process to ensure continued relevance and adequacy.

Earmarked reserves should not be held to fund ongoing expenditure. To the extent that a reserve is used to meet a short-term funding gap, it must be replenished in the following year.

4. Special Reserves

Local authorities also hold reserves that arise through statutory or legal means. At Elvetham Heath Parish Council there is one special reserve:

- S106 Developer Contribution Reserve – this reserve holds the proceeds from the adoption of various open spaces and facilities from developers and can only be used to fund the maintenance of those areas/facilities.