



GENERAL AND EARMARKED RESERVES POLICY

Agreed at Full Council on Thursday 13th April 2023

Policy

The Council is required under statute to maintain adequate financial reserves in order to meet the needs of the organisation. Section 50 of the Local Government Finance Act 1992 requires that Local Councils have regard to the level of reserves needed to meet estimated future expenditure when calculating budget requirements.

The Council's policy on establishment, maintenance and adequacy of reserves and balances will be considered during the annual review of the Council's Financial Strategy and preparation of the annual budget.

Earmarked Reserves

The Council will hold reserves for three main purposes:

- a) A working balance to help alleviate the impact of uneven cash flows and avoid unnecessary temporary borrowing.
- b) A contingency to mitigate the impact of unexpected events or emergencies for specific earmarked expenditure.
- c) A means of building up funds to meet known or predicted requirements or replacement of capital items.

General Reserves

The General fund balance is a 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 unexpected short term problems in the Council's cash flow.

The General Reserves should be maintained at a level based upon a risk assessment carried out annually by the Responsible Financial Officer when setting the budget for the forthcoming year.

Any surplus on the General Reserve above the required balance may be used to fund capital expenditure, be transferred to an appropriate earmarked reserve or used to limit any increase in the precept.

Statutory Reserves

Earmarked Reserves represent amounts that are generally built up over a period of time which are earmarked for specific items of expenditure to meet known or anticipated liabilities or projects. Funds will be set aside to reduce the impact of meeting the full expenditure on one year.

When establishing an Earmarked Reserve the Council will set out:

- i) The purpose of the reserve;
- ii) Procedure for the management and control of the reserve;
- iii) A process and timescale review of the reserve to ensure continuing relevance and adequacy.

Review of Adequacy of Balances and Reserves

In assessing the adequacy of reserves the strategic, operational and financial risks facing the Council will be taken into account. The level of Earmarked and General Reserves will be reviewed as part of the annual budget preparation process.