



General & Earmarked Reserves Policy

1. Introduction

- 1.1 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 the budget requirement.
- 1.2 The Council's policy on the establishment, maintenance and adequacy of reserves and balances will be considered during the annual review of the Council's finances and preparation of the annual budget.

2. Purpose of Reserves

The Council will hold reserves for three main purposes:

- 2.1 As a working balance to help minimise the impact of uneven cash flows and avoid unnecessary temporary borrowing. (Working Capital)
- 2.2 As a contingency to minimise the impact of unplanned events or emergencies. (General Reserve)
- 2.3 A means of ring fencing funds to meet known or predicted requirements or replacement of capital items. (Earmarked Reserves)

3. Working Capital

Working Capital will include the precept, street cleaning grant, bank interest, and other income such as council support grant.

4. General Reserves

- 4.1 The General reserve 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.
- 4.2 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.



- 4.3 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.

5. Earmarked Reserves

Earmarked Reserves represent amounts that are generally 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 in one year. When establishing an earmarked reserve the Council must identify:

- 5.1 The purpose of the reserve
- 5.2 How and when the reserve can be used;
- 5.3 Procedure for the management and control of the reserve;
- 5.4 A process and timescale for review of the reserve to ensure continuing relevance and adequacy.

6. 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.

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