

Reserves Policy

Appendix 9

1. Introduction

It is essential that authorities have sufficient Reserves (General and Earmarked) to finance both its day to day operations and future plans. It is important, however, given that funds are generated from taxation, that such reserves are not excessive.

The need for adequate reserves is reinforced by the Local Government Finance Act 1992, which requires local authorities to have regards to the level of reserves needed for meeting estimated future expenditure when considering its budget requirement.

2. General Reserves

- The use of this reserve is not restricted, and will be used to meet unexpected expenditure, otherwise there is a chance that the Council could run out of money before the year end.
- A Council should typically hold between 3- and 12-months expenditure as a general reserve. If the general reserve is too low then it may not be enough to cover unexpected expenditure or emergencies, whilst if the general reserve is too high then local electors have paid a tax which is not being used for the benefit of the local community.
- The Council has no legal powers to hold revenue reserves other than for reasonable working capital or for specifically earmarked purposes, therefore the year-end general reserve should not be significantly higher than the annual precept.

3. Specific Reserves

- If deemed necessary the council will have 'specific reserves' for specific projects, where money is allocated for a specific purpose/project that due to the level of commitment needed will need a gradual allocation of funds over more than one year.
- Where grants/donations have been received for specific projects/ schemes.
- Where there is a legal requirement.

4. Level of General Reserves

The council's level of general reserves will be **three** months of net revenue expenditure calculated as follows

| | | £ | £ |
|----------------|--|-------|-------|
| Annual Precept | | | 00.00 |
| Less | Total Loan Repayments | 00.00 | |
| Less | Amount included in annual Precept for capital projects | 00.00 | |
| Less | Amount included in annual Precept for transfer to a specific reserve | 00.00 | |
| | Total Deduction | | |

| | | | |
|--|--|--|--------------|
| | Total Net Revenue Expenditure for the Year | | 00.00 |
| | | | |
| | General Reserves = 3/12 of Total Net Revenue Expenditure for the Year | | 00.00 |

5. Process

- The council will carry out a review of its reserves
 - as part of the annual budget process.
 - at the yearend particularly if general reserves is more than twice the precept.
 - at mid-year to get assurance that things are going to plan.

- Only the Council can set up a reserve.
- Movement on reserves will be monitored as part of the budget monitoring process.

Date Adopted: 11-12-25.....

Signature:

Role: Chairman Belmont Rural Parish Council

Minute Number

Date of next review Every 2 years