



Kings Hill Parish Council

General & Earmarked Reserves Policy

Adopted 15/07/2020

1. Policy

- 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 Financial Strategy and preparation of the annual budget.

2. Earmarked Reserves

- 2.1. The Council will hold reserves for these three main purposes:
 - 2.1.1. A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
 - 2.1.2. A contingency to cushion the impact of unexpected events or emergencies for specific earmarked expenditure.
 - 2.1.3. A means of building up funds to meet known or predicted requirements or replacement of capital items.

3. General Reserves

- 3.1. 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. **Full Council agreed in December 2020 to hold three months expenditure as the general reserve. The reserves replacement will take place over a three year period.**
- 3.2. 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.
- 3.3. 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.

4. Statutory Reserves

- 4.1. 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 in one year. When establishing an earmarked reserve the Council will set out:

- 4.1.1. The purpose of the reserve;
- 4.1.2. How and when the reserve can be used;
- 4.1.3. Procedure for the management and control of the reserve;
- 4.1.4. A process and timescale for review of the reserve to ensure continuing relevance and adequacy.

5. Review of Adequacy of Balances and Reserves

- 5.1. 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.