

# **COLNBROOK WITH POYLE PARISH COUNCIL RESERVES POLICY**

## **1. Introduction**

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 billing and precepting authorities in England and Wales have regard to the level of reserves needed to meet estimated future expenditure when calculating the budget requirement.

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

The Council will hold reserves for these three main purposes:

- ❖ A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of the general reserves;
- ❖ A contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
- ❖ A means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately but remain legally part of the general fund.

## **2. General Fund Balance**

The general fund balance, commonly termed the 'working 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.

## **3. Financial Risk Management**

In order to assess the adequacy of the general fund when setting the annual budget, the RFO will take account of the strategic, operational and financial risks facing the council. The requirement of the level of the general fund balance for the forthcoming year will therefore be based upon a risk assessment of the council's main areas of income and expenditure and consider any provisions and contingencies that may be required.

## **4. Statutory Reserves**

Local Authorities also hold reserves that arise out of the interaction of legislation and proper accounting practices.

- ❖ Developers Contribution Reserves – this reserve holds the proceeds from the acceptance of Open Space from developers and can only be used for the maintenance for these areas such as wages and equipment.

## **5. Earmarked 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. The

## **COLNBROOK WITH POYLE PARISH COUNCIL RESERVES POLICY**

setting aside of funds to meet known future expenditure reduces the impact of meeting the full expenditure in one year.

### **6. Review of the adequacy of balances and reserves**

In accessing the adequacy of reserves the strategic, operational and financial risks facing the authority will be considered. The level of earmarked reserves will be reviewed as part of the annual budget preparation.