



Kingsclere Parish Council Reserves Policy

Reviewed at FE April 2023 and adopted at the Annual Meeting 22nd May 2023

1: Policy Background

The Council is required by statute to maintain adequate financial reserves to meet the foreseeable needs and commitments of the organisation. The Local Government Finance Act 1992 requires that billing and precepting authorities have regard to the level of reserves needed to meet their estimated future expenditure when calculating the budget requirement.

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

The Council will hold reserves for the following main reasons:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing
- A contingency to cushion the impact of unexpected events or emergencies
- A means of building up funds in the form of earmarked reserves to meet known or predicted future requirements.

2: General Fund

The general fund is the 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 short-term problems in cash flow. The general fund balance is to be maintained at a level based upon the annual risk assessment carried out by the Responsible Finance Officer (RFO) during the budget setting process. In any case the general fund should be not less than 3 months annual income and not more than 6 months annual income. Any surplus on the required balance can be appropriated to earmarked reserves or used to limit any increase in the precept.

3: Earmarked Reserves

Earmarked reserves represent amounts that are set aside for specific items of expenditure to cover anticipated liabilities or planned projects. This spreads the cost, reducing the financial burden on any one year.

The decision to set up an earmarked reserve must be made by the Council.

When establishing a reserve, the Council will set out:

- The reason for the reserve
- How and when it can be used

All earmarked reserves will be reviewed annually during the budget setting process to ensure continued relevance and adequacy.

Earmarked reserves should not be held to fund ongoing expenditure. To the extent that if a reserve is used to meet a short-term funding gap, it must be replenished in the following year.

4: Special Reserves

Local authorities also hold reserves that arise through statutory or legal means.

Policy Adoption History

As adopted at the Finance and Establishment Meeting on 18th July 2019
Reviewed and updated by FE 20th July 2020, approved by OM 27th July 2020
Reviewed and updated by FE 19th July 2021, adopted by OM 26th July 2021
Reviewed and updated by FE 11th April 2022, adopted by OM 25th April 2022