

# **STOURPAINE PARISH COUNCIL**

## **RESERVES POLICY adopted on 17<sup>th</sup> October 2019**

### **Purpose**

Stourpaine Parish Council is required to maintain adequate financial reserves to meet foreseeable needs and commitments and to have money available in the event of an emergency. The purpose of this policy is to set out how the Council will determine and review the level of reserves. The Council's policy on the establishment, maintenance and adequacy of reserves and balance will be considered annually.

Sections 32 and 42 of the Local Government Finance Act 1992 require local authorities to have regard to the level of reserves for making estimated future expenditure when calculating the budget requirement. However there is no specified minimum level of reserves that an authority should hold and it is the responsibility of the Responsible Finance Officer to advise the Council about the level of reserves and to ensure there are procedures for their establishment and use.

### **Types of Reserves**

Reserves may be categorised as General or Ring Fenced. Expenditure from reserves must be authorised by the Parish Council.

General Reserves are funds that do not have any restrictions as to their use. The General Reserves can be used to smooth the impact of uneven cashflows, offset budget requirement, if necessary or can be held in case of unexpected events or emergencies.

Ring Fenced Reserves can be held for several reasons and are intended to be restricted for that agreed use.

### **General Reserves**

It is intended to maintain the level of the General Reserve at a sufficient level up to a maximum of 12 months precept income.

If the General Reserve is exhausted due to extreme circumstances the Council may make an emergency borrowing from Ring Fenced Reserves which will be replaced in the next Annual Budget.

Any surplus on the reserve above the required balance may be used to fund capital expenditure, be appropriate to Ring Fenced Reserves or used to limit any increase in the precept. In the event that the level of the General Reserves is more than 12 months precept income the Parish Council may consider reducing the precept. The primary means of building or maintaining General Reserves will be through an allocation from the annual budget.

### **Ring Fenced Reserves**

Ring Fenced Reserves represent amounts that are generally built up over a time period which are Ring Fenced for specific items of expenditure to meet known or anticipated liabilities or projects. Any decision to set up a Ring Fenced Reserve must be given by the Parish Council. The Council when establishing a Ring Fenced Reserve will set out: the reason/purpose of the reserve and how and when the reserve can be used

The Ring Fenced Reserves will be reviewed from time at in any event during the budget setting process to ensure their continuing relevance and adequacy.

Ring Fenced Reserves that have been used to meet a specific item of expenditure will not be replenished having served the purpose for which they were originally established.