

## AWBRIDGE PARISH COUNCIL

### RESERVES POLICY

#### 1. Introduction

Awbridge Parish Council is required to maintain adequate financial reserves to meet the needs of the organisation but has no legal powers to hold reserves other than those for reasonable working capital needs or for specifically earmarked purposes.

#### 2. Levels of reserves

There is no specified minimum level of reserves that an authority should hold. Paragraph 2.26 of Governance and Accountability for Local Councils – A Practitioners Guide (2010), gave some guidance, stating:

*It is generally accepted that general (i.e. un-earmarked) revenue reserves usually lie within the range of three to twelve months of gross expenditure.*

#### 3. Types of Reserves

Reserves can be categorised as:

- Earmarked
- Ring fenced
- General

##### **Earmarked Reserves**

Earmarked reserves are a means of building up funds over several years to deliver a defined project, meet predicted liabilities or for known significant expenditure.

Earmarked reserves can be held for: -

- Renewals, to enable councils to plan and finance an effective programme of equipment replacement and planned property maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.
- Carry forward of under-spend. Reserves can be used as a mechanism to carry forward expenditure that has not been spent in the budget year.
- Meet known medium to long-term liabilities.

The Council will hold the earmarked reserves detailed at Appendix 1

### **Ring Fenced Reserves**

Ring fenced reserves are money or grants allocated for a specific project/purpose only, for example, the percentage (15%) of developer monies received under The Community Infrastructure Levy (CIL) (Amendment) Regulations 2013. This ring-fenced reserve must be used only for: -

- (a) the provision, improvement, replacement, operation or maintenance of infrastructure; or
- (b) anything else that is concerned with addressing the demands that development places on an area.

The Council will establish a Ring-Fenced Reserve, detailed at Appendix 1, for Community Infrastructure Levy receipts.

### **General Reserves**

General reserves, commonly termed the 'working balance' are funds which do not have any restrictions as to their use. These reserves can be used to smooth the impact of uneven cash flows, offset the budget requirement if necessary or can be held in case of unexpected events or emergencies.

The General Reserve balance is to be maintained at a level based upon a risk assessment carried out annually by the Responsible Finance Officer (RFO) when setting the budget for the forthcoming year. Any surplus on the reserve above the required balance may be used to fund capital expenditure, for routine day-to-day maintenance of capital assets, be appropriated to earmarked reserves or used to limit any increase in the annual precept.

The Council will establish a General Reserve amounting to six months operating costs as shown in Appendix 1.

### **Maintenance and adequacy of reserves**

This will be reviewed annually at the budget setting meeting.

**APPENDIX 1****Earmarked Reserves**

Office equipment renewal	£500	
Unexpected legal fees	£1,000	
Election costs	£1,000	
Replacement of street furniture	£3,000	
Replacement dog waste bins/grit bins	£500	
Replacement of noticeboards	£1,500	
War memorial repairs	£1,250	
Neighbourhood Development Plan	£2,000	<b>Total £10,750</b>

**Ring Fenced Reserves**

Community Infrastructure Levy	£20,344	<b>Total £20,344</b>
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**General Reserves**

Working balance	£4,400	<b>Total £4,400</b>
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**Total reserves £35,494**