



New Alresford Town Council

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Reserves Policy

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	Related Policies – Investment Policy, The Governance and Accountability Practitioners Guide, NATC Financial Regulations.

Version Control

Version	Owner	Date approved	Minute Ref	Website updated	Next review
V1	Town Council	18/11/19	19/188	20/11/19	Nov 2021

1. Introduction

New Alresford Town Council (NATC) is required to establish and maintain adequate financial reserves and balances to meet the needs of the organisation.

Local Government Finance Act 1992 Section 50 of the require local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. Although there is no specified minimum or maximum level of reserves that an authority should hold current best practice advises 3-6 months of revenue expenditure is maintained, after consideration is given to the financial risk assessment. The Council will take advice from the Responsible Financial Officer (RFO) to advise the Council about the level of reserves and to ensure their adequacy at least annually.

2. Financial Risk Assessment

The RFO is responsible for the Financial Risk Assessment carried out annually when setting the budget for the forthcoming year. The RFO considers the strategic, operational, and financial risks facing the council and base the assessment on Council's areas of income and expenditure taking into account any provisions and contingencies that may be required and thereby advises an appropriate level of Reserves.

3 Types of Reserves

NATC will hold Reserves mainly for the following reasons and are categorised as General, Earmarked and Restricted Reserves.

- 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 parts of General reserves;
- A means of building up funds, referred to as Earmarked reserves, to meet known or predicted requirements; Earmarked reserves are accounted for separately but remain legally part of the General Reserves

4 General Reserves

4.1 NATC must build and maintain sufficient working balances to cover the key risks it faces, as expressed in its Financial Risk Assessment. The General Reserves are funds which do not have any restrictions and is a balance on the council's revenue account.

4.2 The primary means of building General Reserves will be through an allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves that have been consumed in the previous year.

- 4.3 Any surplus on the reserve above the required balance may be used to fund capital expenditure, be appropriated to Earmarked reserves or used to limit any increase in the precept.
- 4.4 If General Reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Council would be able to draw down from its Earmarked Reserves to provide short term resources.
- 4.5 NATC must keep a minimum balance sufficient to pay three month's salaries to staff in General Reserves at all times.

5 Earmarked Reserves

- 5.1 Earmarked Reserves will be established on a "needs" basis, in line with anticipated requirements. Any decision to set up a reserve must be made at Town Council and will identify their purpose, the likely overall costs and timeframe of the project.
- 5.2 Expenditure from Earmarked Reserves will only be authorised by the Town Council.
- 5.3 Earmarked reserves are held for four main reasons:
- Renewals and Capital projects – to enable a planned effective programme of land, building and equipment acquisition, replacement and 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 underspend - expenditure committed to a project but not spent in the budget year. Reserves are used as a mechanism to carry forward these resources.
 - Developers Contributions – proceeds from developers that can only be used for specified purposes.
 - Other Specific Reserves to meet known or predicted liabilities.
- 5.4 To the extent that reserves are used to meet short term funding gaps, they must be replenished in the following year. However, Earmarked Reserves that have been used to meet a specific liability would not need to be replenished, if they have served the purpose for which they were originally established.
- 5.5 NATC managing the Reserve must Complete the Earmarked Reserve form (Appendix A) stating the purpose, justification and rationale of the Reserve. The RFO will record the details of each Reserve on a central schedule.
- 5.6 The level and designation of Earmarked Reserves are reviewed and updated annually at the first meeting of the Town Council following the finalisation of year-end figures.

6 Restricted Reserves

- 6.1 Restricted reserves may only be used for defined expenditure. This definition is set by the organisation from which the funds derive and or legislation.
- 6.2 New Alresford town Council holds Community Infrastructure Levy (CIL) receipts as Earmarked Reserves to fund infrastructure projects.

Appendix A

Earmarked Reserve Report

Committee Managing Project.....

Name of Project.....

Date commenced	
Minute Ref	
Purpose of Reserve	
Date of Project delivery	
Reason required	<i>Justification and Rationale</i>
Description of each Spend and Minute ref	<ol style="list-style-type: none"> 1. 2. 3.

Annual review to ensure relevance and adequacy

Date	Committee	Minute Ref	Findings of review