



POLICY STATEMENT

RESERVES POLICY

Purpose

The Council is required, under statute, to maintain adequate financial reserve in order to meet the needs of the organisation. Section 50 of the Local Government Finance Act 1992 requires that billing and precept authorities in England and Wales have regard to the level of reserve needed to meet estimated future expenditure when calculation 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 three main purposes:

1. A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of the general reserve
2. A contingency to cushion the impact of unexpected events or emergencies – this also forms part of the general reserve
3. A means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately and cannot be accrued into the General Reserve.

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.

The General Fund 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 maybe used to fund capital expenditure, be appropriated to earmarked reserves or used to limit any increase in the precept. Romsey Town Council General Reserve was approved as follows at meeting held on 24th July 2018:- **RESOLUTION NO. 18/07**

It was **RESOLVED** to approve Finance & Resources recommendation to have a General Reserve of 4 months running costs subject to removing the words “for 2018-19.” **PROPOSED: Cllr. J. Parker, SECONDED: Cllr. M. Curtis - CARRIED**

LAST REVIEWED: January 2022
NEXT REVIEW DATE: January 2027