



Marchwood Parish Council Reserve Policy

1. INTRODUCTION

The Parish Council is required to maintain adequate financial reserves to meet the needs of the organisation. The purpose of this policy is to set out how the Council will determine and review the level of reserves.

Section 50 of the Local Government Finance Act 1992 requires local councils to the authority must calculate the aggregate of—

- (a) the expenditure the authority estimates it will incur in the year in performing its functions and will charge to a revenue account for the year.
- (b) such allowance as the authority estimates will be appropriate for contingencies in relation to expenditure to be charged to a revenue account for the year.
- (c) the financial reserves which the authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure; and
- (d) such financial reserves as are sufficient to meet so much of the amount estimated by the authority to be a revenue account deficit for any earlier financial year as has not already been provided for.

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

2. TYPES OF RESERVE

The Council will hold reserves for these three main purposes:

- A working balance – this forms part of the general reserves.
- A contingency fund– this also forms part of general reserves.
- A means of building up funds, sometimes called 'earmarked' to meet known or predicted requirements.

3. GENERAL RESERVES

3.1 The general reserves are 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, or to allay the impact of unexpected events or emergencies.

3.2 The general reserves are to be maintained at a level based upon a risk assessment carried out annually by the RFO when setting the budget for the forthcoming year. Any surplus on the general reserves above the required balance may be used to fund capital expenditure, be appropriated to nominated reserves or used to limit any increase in the precept.



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3.3 The current level with respect to general reserves is that: “The Parish Council should endeavour to maintain its revenue reserve balances at a level of 3-12 months of net expenditure. under the council’s current financial arrangements, a general reserve figure of £160,000 is desirable.

4. EARMARKED RESERVES

4.1 Nominated reserves represent:

ring-fenced balances of grant funds or third-party allocations reserved to specific purposes;

- amounts generally built up over a period of time which are nominated for specific items of expenditure to meet known or anticipated liabilities or projects and intended to reduce the impact of meeting the full expenditure in one year.

4.2 The Council, when establishing an earmarked reserve, will set out:

- The reason / purpose of the reserve.
- How and when the reserve can be used.
- Procedures for the management and control of the reserve.
- A process and timescale for review of the reserve to ensure continuing relevance and adequacy.

4.3 As part of the calculation of an earmarked reserve, consideration must be given as to when the projected expenditure will fall due. If the earmarked reserve is to be built up over a period of years, annual increases in the relevant reserve should be on a proportionate incremental rather than a fixed annual basis (i.e. the sum set aside increases by a set percentage each year), so that the financial liability falls progressively on those taxpayers more likely to benefit from the final implementation of the relevant asset or service.

5. GOVERNANCE ISSUES

5.1 The policy on Reserves will be reviewed annually and reported to the Policy and Resources Committee.

5.2 The Clerk/RFO will consider the likely needs of the general and nominated reserves for the forthcoming financial year as part of the process of setting the revenue budget, having regard to the predicted outturn of the current year income & expenditure. However, the reserves budget as such will be presented for the Council’s approval and at that point the Council will have the opportunity to review the levels of reserves held in accordance with the Council’s Financial Regulations and may make proposals for the creation of additional nominated reserves as part of the budgeting process.



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APPENDIX: NOMINATED RESERVES FOR 2023-2024

EMR Development Opportunities	6,000.00
EMR Community Infrastructure	10,310.93
EMR Community Events	4,381.88
EMR Tree Management	2,837.51
EMR LRG Infrastructure	22,639.86
EMR CIL Receipts	1,904.00
EMR Motor Vehicle Replacements	1,375.43
EMR Training	955.00
EMR Play Areas	26,277.40
TOTAL	76,682.01