



Stockbridge Parish Council

Reserves policy

Introduction

The Council is required, under statute, to maintain adequate financial reserves in order to meet the needs of the organisation. Section 50 of the Local Government Finance Act 1992 requires that billing and precepting authorities in England and Wales have regard to the level of reserves needed to meet estimated future expenditure when calculating the budget requirement. The Council's maintenance and adequacy of reserves and balances will be considered annually when the Precept is being set.

The Council will hold reserves for these 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 reserves;
2. A contingency to cushion the impact of unexpected events or emergencies – this also forms parts of general reserves;
3. Community Infrastructure Levy. These are statutory funds paid via TVBC to the Council by Housing or other Developers. These reserves need to be spent within 5 years of receipt. CIL monies can only be spent on infrastructure.
4. Funds set aside for specific Council projects (often referred to as earmarked reserves), to meet known or predicted requirements; these reserves are accounted for separately but remain legally part of the general fund. A decision to reallocate these reserves can only be taken at a Full Council meeting (see SPC Financial regulations 4.0)

General Reserves

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

Financial Risk Management

In order to assess the adequacy of the general fund when setting the annual budget, the Clerk will take account of the strategic, operational and financial risks facing the council. The requirement of the level of the general fund balance for the forthcoming year will be based upon a risk assessment



of the council's main areas of income and expenditure and take into account any provisions and contingencies that may be required.

The main items to be considered are:

- Pay inflation is greater than budgeted. Any increase is above the level allowed for in the estimates.
- Contractual inflation is greater than budgeted
- Professional and other services costs increase above estimate.

CIL

CIL monies can be spent on the provision, improvement, replacement, operation or maintenance of infrastructure, or anything else that is concerned with addressing demands that is placed on an area.

Earmarked Reserves

Earmarked Reserves represent the amounts that the Council agrees to set aside for a specific project or contingency. The Council will have agreed that these matters require capital to be built up in order to spread the cost of a foreseeable expense, eg: the replacement of playground equipment or because the Council wants to ensure that funding is available in the event of an emergency eg: flooding. The Council may build up these reserves over a period of time until the reserve has reached a level that the Council agrees is suitable. Any contribution to these reserves will be noted as separate items in the budget and any expenditure from the reserves will be accounted for separately.

Review of the adequacy of balances and reserves

In assessing the adequacy of reserves the strategic, operational and financial risks facing SPC will be taken into account. The level of earmarked reserves will be reviewed as part of the annual budget preparation.