

NEW ALRESFORD TOWN COUNCIL

Alresford Recreation Centre, The Avenue, Alresford, Hampshire, SO24 9EP
Tel: 01962 732079 Website: www.newalresford-tc.gov.uk

Reserves Policy

1. Introduction

New Alresford Town Council (NATC) is required to establish and 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.

Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. There is no specified minimum or maximum level of reserves that an authority should hold. The Joint Panel on Accountability and Governance (JPAG) Practitioners Guide 2024 edition advises 'the generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure'.

2 Types of Reserves

Reserves can be categorised as General or Earmarked.

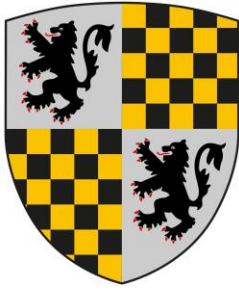
General Reserves

General Reserves are funds which are not placed in a restricted reserve. 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 primary means of building general reserves will be through an allocation from the annual budget or a reallocation of funds (underspend on a completed project). This will be in addition to any amounts needed to replenish reserves that have been consumed in the previous year.

Setting the level of General Reserves is one of several related decisions in the formulation of the annual budget. The Council must build and maintain sufficient working balances to cover the key risks it faces, as expressed in its financial risk assessment.

Reviewing the Council's Financial Risk Assessment is part of the budgeting and year end accounting procedures and identifies planned and unplanned expenditure items and thereby indicates an appropriate level of Reserves.



NEW ALRESFORD TOWN COUNCIL

Alresford Recreation Centre, The Avenue, Alresford, Hampshire, SO24 9EP
Tel: 01962 732079 Website: www.newalresford-tc.gov.uk

If in extreme circumstances 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.

Even at times when extreme pressure is put on the Council's finances the Council must keep a minimum balance sufficient to pay three month's salaries to staff in General Reserves at all times.

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.

Earmarked Reserves

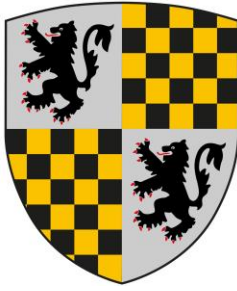
Earmarked reserves can be held for several reasons:

- Renewals – to plan and finance an effective programme of equipment and infrastructure replacement and planned property maintenance/ refurbishment. The funds required can be built up incrementally over several years when considering asset conditions and asset life. They 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.
- Other earmarked reserves may be set up from time to time to meet known or predicted liabilities.
- Developers contributions/ grant awards which can only be used for specified purposes.

Earmarked Reserves will be established on a "needs" basis, in line with anticipated requirements. Any decision to set up an earmarked reserve must be made by the Council and will identify their purpose and the amount to be placed in reserve. If the EMRs are used to meet short term funding gaps, they must be replenished in the following financial year.

However, earmarked reserves that have been used to meet a specific liability would not need to be replenished, having served the purpose for which they were originally established.

Where the purpose of an Earmarked Reserve becomes obsolete, or where there is an over-provision of funds, the excess may, on the approval of the Council, be



NEW ALRESFORD TOWN COUNCIL

Alresford Recreation Centre, The Avenue, Alresford, Hampshire, SO24 9EP
Tel: 01962 732079 Website: www.newalresford-tc.gov.uk

transferred to other budget headings within the revenue budget, to General Reserves or to one or more other Earmarked Reserves.

3. Management and Control of Reserves

Movements in Earmarked Reserves and General Reserves shall be reported to the Council as part of the quarterly Budget to Actual Report.

The use of Reserves shall be approved by the Council.

The level of General Reserves shall be reviewed on an annual basis during the annual budgetary review and agreed by the Council. The minimum level of General Reserves shall be recommended to the Council by the Responsible Financial Officer. This will form part of the recommendations for the Annual Budget and Precept request by the Council.

Earmarked Reserves shall be reviewed on an individual basis as part of the Annual Budgetary Review. Approval for the creation, amendment, cessation or continuation of Earmarked Reserves will be given by the Council.

Date approved	Minute Ref	Next review
19/05/26	26/014c	May 2028