

Botus Fleming Parish Council

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Reserves Policy

At its public meeting held on 20 December 2017, councillors resolved to adopt this reserves policy.

1.0 Councils have no legal powers to hold revenue reserves other than those for reasonable working capital needs or for specifically earmarked purposes. 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 council receives its precept from Cornwall Council in two tranches, in April and October.

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 may be used to fund capital expenditure, be appropriated to 'earmarked reserves' or used to limit any increase in the precept.

Best practice is that parish councils should hold the equivalent of six months precept income as a contingency against uneven cash flow or delayed payment.

2.0 **Beyond this figure, a parish council should only hold extra funds where they have been set aside for specific purposes and for savings for future projects. These are called Earmarked Reserves.** Earmarked Reserves represent amounts that are generally built up over a period of time which are earmarked for specific items of expenditure to meet known or anticipated liabilities or projects. The 'setting aside' of funds to meet known future expenditure reduces the impact of meeting the full expenditure in one year. The level of earmarked reserves will be reviewed as part of the annual budget preparation.

The calculation of Earmarked Reserves is made by estimating the closing balance of the council's accounts at 31 March, deducting any ringfenced sums already held (for example, residual funds for the Neighbourhood Development Plan) and deducting the agreed Contingency Reserve.

Adopted: 20 December 2017

Review: 2020

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