

NORTH MUNDHAM PARISH COUNCIL

RESERVES POLICY

1. 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 policy on the establishment, maintenance and adequacy of reserves and balances will be considered annually.

The Council will hold reserves for these three main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing - this forms part of the general reserves;
- A contingency to cushion the impact of unexpected events or emergencies - this also forms parts of general reserves;
- A means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately but remain legally part of the general fund.

2. 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 councils cash flow.

The general fund balance is to be maintained at a level half of the usual precept. In addition the Village Hall Management Committee are responsible for maintaining sufficient reserves to meet the day to day running costs and routine maintenance of the village hall, for these purposes the equivalent of six months rental income is deemed sufficient.

3. Financial Risk Management

In order to assess the adequacy of the general fund when setting the annual budget, the RFO and the budget working party 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 therefore 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.

4. Statutory Reserves

Local Authorities also hold reserves that arise out of the interaction of legislation and proper accounting practices. At North Mundham Parish Council this is:

