



# **RESERVES POLICY**

## **1. Purpose**

This policy sets out how Hassocks Parish Council will manage its reserves to ensure sound financial governance, transparency, and compliance with proper practices.

Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to have regard to the level of reserves needed to meet estimated future expenditure when calculating the budget requirement.

Councils should only hold reserves to provide reasonable working capital or for planned expenditure. It is essential that Councils have sufficient reserves (general and earmarked) to finance both day-to-day operations and future plans.

The Reserves Policy supports the budget setting process and ensures the Council maintains the appropriate level of reserves.

## **2. Types of Reserves**

### **2.1 General Reserves**

The general reserves do not have any restrictions as to their use. The purpose of the general reserve is to help manage cashflow during the financial year and provide a contingency fund to cover unexpected inflation, unforeseen events and unusual circumstances.

The audit guidelines recommend that the appropriate level of a smaller authority's general reserve should be between three and twelve months of net revenue expenditure. Larger authorities, with income and expenditure in excess of £200,000, should plan towards three-months equivalent general reserve.

The balance of the general reserve will increase or decrease at the end of each financial year, subject to performance against the budget. Councils must consider the risks to self-generated income and potential cost increases and adapt their general reserve accordingly.

Hassocks Parish Council will maintain the general reserve at a minimum of three months net revenue expenditure and will review this level annually as part of the budget setting process.

## 2.2 Earmarked Reserves

Earmarked reserves allow the accumulation of funds for use at a future date for specified planned expenditure and projects. Funds can be built up over a period of time to reduce the impact of having to pay for large budget items in one year such as the renewal or replacement of assets.

There is, no upper or lower limit to earmarked reserves but they must be held for genuine and identifiable purposes and projects, not recurring revenue expenditure. Balances on earmarked reserves will increase through decisions of the council to add to the requirement and decrease as they are spent.

Once a project has ended, the earmarked reserve will be closed, and any remaining balance transferred to the general reserve. Some earmarked reserves are restricted i.e. project grants, capital receipts and S106 awards.

Hassocks Parish Council will hold earmarked reserves for:

- identified projects and purposes
- the development and long-term maintenance of Council assets
- grants and donations received for restricted purposes

## 3. Monitoring and Reviewing Reserves

The accumulation and allocation of reserves shall be agreed by the Council as part of the budget setting process.

The level of both general and earmarked reserves will be reviewed regularly and monitored through budget reports to the Policy, Resources and Communications Committee.