

RESERVES POLICY

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Issue Number	Date	Details of amendments
1	22nd June 2020	Adopted
2	5th March 2024	Reviewed
3	21st March 2025	No change

1. Purpose

1.1 East Grinstead Town Council is required to 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.

1.2 Section 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. The level of reserves required will vary according to local circumstances, and will be informed by their future expenditure plans. There is no specified minimum or maximum level of reserves that an authority should hold. It is the responsibility of the Responsible Finance Officer (RFO) and Councillors to determine the level of reserves and to ensure that there are procedures for their establishment and use.

1.3 The Good Councillors Guide to Finance and Transparency 2019 suggests that a Council should typically hold between 3 and 12 months net revenue expenditure (NRE) as a general reserve, although for larger Town Councils such as East Grinstead, the level of General Reserves should ideally be between 3 and 6 months of NRE.

2. Types of Reserves

2.1 East Grinstead Town Council maintains two types of reserves :

2.2 <u>General Reserves</u>

This represents the non-ring fenced (earmarked) balance of Council funds. The purpose of the General Reserve is to operate as a working balance to help manage the impact of uneven cash-flows and to provide a contingency to cushion the impact of emerging or unforeseen events.

2.3 <u>Earmarked Reserves</u>

This provides a means of accumulating funds for use in a later financial year to meet known or planned expenditure. This known or planned expenditure maybe either revenue expenditure or capital expenditure.

Earmarked Reserves will increase through decisions of the Council and will decrease as they are spent on their specific and intended purposes.

All earmarked reserves are recorded on a central register held by the RFO, and the register will list the purpose for which the earmarked reserve is held.

3. Monitoring and Reviewing of Reserves

3.1 General Revenue Reserves will be reviewed annually at each Financial year end in conjunction with the year's surplus or deficit being added or subtracted.

3.2 Earmarked reserves are established on a 'needs' basis in line with anticipated requirements. Councillors review the levels of Earmarked Reserves on an annual basis and will be asked to approve any additions and carry forward balances.

3.3 Any decision to transfer an earmarked reserve to the general reserve must be reviewed by the Finance & General Purposes Committee and then recommended to Full Council for formal approval.

Adoption date: **22nd June 2020**
Reviewed: **5 March 2024** March 2027