



## **RYDE TOWN COUNCIL**

### **RESERVES POLICY**

**NOVEMBER 2020**

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## **1. Introduction**

The objective of Ryde Town Council is to maintain adequate financial reserves to meet the needs of the organisation and to protect against the risk of having insufficient funds to meet its expenditure plans and commitments. The purpose of this policy is to set out how the Council will determine and review its level of reserves.

Local Authorities are required under statute to have regard to the level of reserves needed

for meeting estimated future expenditure commitments, including provision for meeting any unforeseen expenditures when it set its budget requirement. There is no specified minimum level of reserves that an authority must hold, it is the responsibility of the Responsible Financial Officer (RFO) and the Members of the Council to determine the level of reserves and ensure that there are procedures for their establishment and review of their adequacy.

Guidance on Governance & Accountability for Smaller Authorities in England is that a Council should typically hold between three and twelve months expenditure as a general reserve. If the reserve is set too low it may be insufficient to cover unexpected or unplanned expenditure requirements.

## **2.Types of Reserves**

### **(a) Earmarked Reserves**

These provide a means of accumulating funds, for use in a later financial year, to meet known or planned expenditure in those periods. Earmarked Reserves will increase through decisions of the council and will reduce as they are spent on their specific intended purpose. The purpose of an Earmarked Reserve is to set aside amounts for future agreed projects or periodic events such as elections.

When an earmarked reserve is established, a clear reason/purpose should be set out, with how and when the funds are expected to be used. It is the responsibility of the RFO to ensure that funds are spent in line with their intended purpose. The purpose of each Earmarked Reserve should be reviewed at least annually to establish whether it is still Required.

## **3. General Reserves**

General Reserves are money held that is not ring fenced or committed in any way. Their purpose is to provide a working balance to meet any unforeseen adverse cashflows or to meet any unforeseen/unplanned expenditures that may arise in the course of a financial year. Having insufficient general reserves is a risk to the council due to the financial impact of emergencies and unforeseen events, the Councils Risk Assessment should be carefully considered when determining the appropriate level of general reserves.

## **4. Reserves Review**

The level of all reserves will be reviewed each year by the Council as part of its budget setting process.

The level of each reserve will be clearly stated in the Annual Accounts for each financial year, and the purpose of all reserves will be explained and justified.

## **5. Spending from Reserves**

Spending from Reserves must have the approval of the Full Council on the recommendation of the Clerk/RFO or Finance Committee, dependant on the amounts involved.

Gareth Hughes

RFO

23<sup>rd</sup> November 2020