



# NORTH WALSHAM TOWN COUNCIL

## Reserves Policy

Adopted by the Council at its meeting held on 25.03.2025

### 1. Purpose

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. The level of reserves will vary according to local circumstances and will be informed by the future expenditure plans of the authority.

North Walsham Town Council is adopting a Reserves Policy to support their budget setting process and ensure they maintain appropriate levels of general and earmarked reserves.

### 2. Reserves

#### General Reserves

The general reserve represents the unspecified balances held by the council. The purpose of the general reserve is to operate a working balance to help manage the impact of uneven cashflows during the financial year, and to provide a contingency amount for emerging or unforeseen events.

The balance of the general reserve will increase or decrease at the end of each financial year, subject to the final actual performance against budget.

There is no definitive minimum or maximum level of general reserves that an authority should hold, although recommended guidance within the Good Councillors Guide to Finance and Transparency 2019 suggests an amount of between three and twelve months net revenue expenditure (NRE\*). Larger councils are recommended to hold between three and six months NRE. The council has no power to hold revenue reserves other than those for reasonable working capital needs or specific earmarked purposes

**North Walsham Town Council aim to maintain the general reserve at a minimum of 3 months NRE and review this level at least annually as part of the budget setting process.**

*\*NRE is defined as the precept less any loan repayments and/or amounts included for capital projects and transfers to earmarked reserves.*

#### Earmarked Reserves

Earmarked reserves allow the accumulation of funds for use at a future date for specified planned expenditure projects. Balances on earmarked reserves will increase through decisions of the council to add to the requirement and decrease as they are spent on the specified projects. Once a project has ended, the earmarked reserve will be closed, and any remaining balance transferred to the general reserve.

There is no minimum or maximum level of recommended earmarked reserves as this will depend entirely on the planned future projects of the authority.

Some earmarked reserves are restricted and can be used only for the purpose they were initially put aside for

These typically include:-

**Section 106**– can only be used to fund certain items.

**Capital Receipts** – used for receipt of funds from the sale of any capital item valued at over £10,000. The funds can only be used to purchase another capital item and/or repay borrowing.

**Some Grants** – may be restricted to the original reason for the grant award, and unused funds may be required to be returned to the granting body.

**North Walsham Town Council aim to maintain a level of earmarked reserves appropriate to the level of future planned expenditure projects and review these at least annually as part of the budget setting process.**

#### **Elections Reserve**

This earmarked reserve is to cover the cost of elections.

### **3. MONITORING AND REVIEWING RESERVES**

The level of both general and earmarked reserves is monitored through the Scribe accounting system, and regularly reported to the Finance & Governance Committee.

Decisions to increase amounts held in earmarked reserves on an annual basis will form part of the budget setting process, with formal approval confirmed by Council. In year decisions to transfer funds between reserves will be considered by the Finance & Governance Committee, with a recommendation put to Council for approval.

Where it is determined there is justification for doing so, the Council may make decisions which are at variance to the policy.