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## Reserves Policy

### 1. Purpose:

- 1.1 Biddenham Parish 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 Sections 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. However, there is no specified minimum level of reserves that an authority should hold and it is the responsibility of the Responsible Financial Officer to advise the Council about the level of reserves.

### 2. Types of reserves:

- 2.1 Reserves can be categorised as **general** or **earmarked**.

#### General

- 2.2 General Reserves are funds that do not have any restrictions as to their use. These reserves can be used to smooth the impact of uneven cash flows, offset the budget requirement if necessary, or can be held in case of unexpected events or emergencies.
- 2.3 Setting the level of General Reserves is one of several related decisions in the formulation of the annual budget. The Council must build and maintain sufficient working balances to cover the key risks it faces. JPAG (Joint Panel on Accountability and Governance) recommends 3 to 12 months of expenditure to hold as General Reserve.
- 2.4 It is the intention of Biddenham Parish Council to maintain the General Reserves at a minimum level equivalent to 50% of the annual precept income, with a preferred target level being between 55% to 70%. At all times there should be sufficient General Reserves held to cover staff salaries for three months and/or to cover for long term sickness or the resignation of the Parish Clerk, whereby the services of a locum clerk may be required.
- 2.5 If the General Reserves becomes depleted below the minimum level (i.e. 50% of the annual precept income) agreed and accepted by the Parish Council, then the funds will

be built up in subsequent years to the agreed minimum balance. The primary means of building General Reserves will be through an allocation built in the annual budget, but may also be potentially enhanced through the reallocation of funds (e.g. underspends) where an existing project comes in under budget. This will be in addition to any amounts needed to replenish reserves that have been consumed in the previous year.

- 2.6 If in extreme circumstances General Reserves were exhausted, due to major unforeseen spending pressures within a particular financial year, the Council would be able to draw down from its earmarked reserves to provide short term resources.

### **Earmarked**

- 2.7 Earmarked reserves are a means of building up funds over several years to deliver a defined project, meet predicted liabilities, or for known significant future expenditure. Earmarked reserves must be reviewed and/or established by the Council at the annual budget setting meeting.
- 2.8 Earmarked reserves can be held for several reasons:
- Carry forward of underspend – where there is commitment to expenditure on certain projects, but where it cannot be spent in the budget in year. Reserves are used as a mechanism to carry forward these resources.
  - Other earmarked reserves may be set up from time to time to meet known or predicted liabilities.
- 2.9 Any decision to set up and to allocate funds to an Earmarked Reserve, to meet known or predicted specific requirements or improvement projects, must be made by the Full Council. When an Earmarked Reserve is established, a clear reason/purpose should be set out, together with limitations on how and when the funds are expected to be used.
- 2.10 Where the purpose of an Earmarked Reserves becomes obsolete, or where there is an over-provision of funds, the excess may, on the approval of the Parish Council, be transferred to other budget headings within the revenue budget or to the General Reserves or to one or more other Earmarked Reserves.

## **3. Procedure**

- 3.1 Any decision to set up a reserve must be made by the Parish Council. The Parish Council will be required to consider the following when making recommendations for each reserve:
- The reason for/purpose of the reserve.
  - How and when the reserve can be used.
  - Procedures for the reserve's management and control.

- A process and timescales for review of the reserve to ensure continuing relevance and adequacy.

3.2 Expenditure from reserves can only be authorised/made by the Parish Council.

3.3 The Responsible Financial Officer (RFO) will maintain a detailed schedule of all reserves which will form part of the accounts package, which will include the date the reserve was established and when it is expected the reserve will be used.

#### **4. Review**

5.1 This Policy was adopted by the Parish Council at the meeting on 14th June 2022 and will be reviewed again in January 2022 when the budget for the financial year is being finalised and annually thereafter.

## BIDDENHAM PARISH COUNCIL

### RESERVES POLICY

#### Version Control Record

<b>Ref.</b>	<b>Date of Update</b>	<b>Details of Amendments/Changes</b>	<b>BPC Approval Minute</b>
1	June 2022	Adoption of Reserves Policy	9