

# **RESERVES POLICY**

## **(For decision 23 Nov 23)**

### **INTRODUCTION**

This reserves policy has been reviewed in the light of the Auditors comments in June 2023.

1. Winterborne St Martin Parish Council is required to maintain adequate Financial Reserves to meet the needs of its operations and to ensure financial security. The purpose of this policy is to set out how the Council will determine and review the level of reserves. The Joint Panel on Accountability and Governance Practitioners Guide (JPAG) (March 2023 edition) advises: "As with any financial entity, it is essential that authorities have sufficient reserves (General and Earmarked) to finance both its day-to-day operations and future plans. It is important, however, given that its funds are generated from taxation/public levies, that such reserves are not excessive." Chapters III and IV 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 specific minimum level of reserves which an authority should hold, and it is the responsibility of the Responsible Financial Officer to advise the Parish Council about the level of reserves and to ensure that there are procedures for their establishment and use.

2. General Reserves are funds which do not have any restrictions on their use. They cushion the impact of uneven cash flows, offset budget requirements if necessary, and are held in case of unexpected events or emergencies. Setting the level of General Reserves will be agreed at the Annual Budget and the primary means of building General Reserves will be through allocation from that annual budget which will have to take account of any usage in the previous periods.

3. Earmarked Reserves (EMR's) must be held for genuine and intended purposes and their level is to be subject to annual review and justification. They should be separately identified to prevent query from internal and external auditors. EMRs may be held for several reasons and shall only be used for the purpose for which they were created. The most common are:

- Renewals – to enable the planning and financing of an effective program of equipment replacement and property maintenance/refurbishment. The funds required are built up incrementally over several years when taking into account asset conditions and asset life. They are a mechanism to smooth expenditure without the need to vary budgets.
- Carry forward of underspend on an uncompleted project – expenditure committed to a project but not spent in the budget year. Reserves can be used as a mechanism to carry forward those resources.
- Developers Contributions (CIL) – proceeds from developers which can only be used for specified purposes.
- Other Earmarked Reserves – these may be set up from time to time to meet known or predicted liabilities.

### **RESERVE FUND(S)**

4. With due regard to The National Association of Local Councils Joint Panel on Accountability and Governance Practitioners Guide published March 2023 and the Local Government Finance Act 1992 Winterborne St Martin Parish Council will **aim to** develop and maintain a single general reserve amounting to approximately **9-12** months precept to cover unforeseen contingencies and renewals.

## **MANAGEMENT OF THE RESERVE FUND(S)**

5. The level of Reserves shall be reviewed on an annual basis during the annual budgetary review and reported quarterly to the Council in June, Sep, Jan and at monthly meetings as required. The minimum level of General Reserves shall be recommended to the Parish Council by the Responsible Financial Officer and this recommendation will form part of the Budget Group's recommendations for the Annual Budget and Precept request by the Parish Council. Earmarked Reserves shall be reviewed on an individual basis as part of this process.
6. The use of Reserves shall be approved by the Parish Council.
7. Approval for the creation, amendment, cessation or continuation of Earmarked Reserves will be given by the Parish Council.