

# Upper Clatford Parish Council Financial Reserves Policy

Adopted on:

11 May 2022, Minute 11.1\*\*

Produced and Managed by the Parish Clerk

## Record of Adoption, Review and Amendment made to the Upper Clatford Parish Council Standing Orders

Date	Details of adoption, review or amendment
11 May 22	Adoption of Policy. Accepted under Minute 11.1 of the meeting held on this date.

### 1.1. Introduction

1. The purpose of this policy is to set out how the Parish Council will determine and review the level of its reserves.
- 1.2. Sections 32, 43 and 50 of the Local Government Finance Act 1992 require local authorities to maintain adequate financial reserves in order to meet the needs of the organisation and to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget and precept requirement.
- 1.3. There is no specified minimum level of reserves that a Parish Council should hold and it is the responsibility of the Responsible Finance Officer (RFO) to advise the Council about the level of reserves and to ensure that there are procedures in place for their establishment and use.
- 1.4. The Council's policy on the establishment, maintenance and adequacy of reserves and balances will be considered annually.

## 2. Types of Reserves

### 2.1. General and Operational Reserve

- 2.1.1. 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, avoid unnecessary temporary borrowing or can be held in case of unexpected events or emergencies. Basically, it is the working balance of cash held that has not been allocated to the planned budget, Earmarked Reserves or are ring fenced funds (e.g. grants for specific projects)

2.1.2. The Practitioners Guide states 'The generally accepted recommendation with regard to the appropriate minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three (3) and twelve (12) months Net Revenue Expenditure (NRE). NRE (subject to any planned surplus or deficit) is effectively Precept\Levy less any Loan Repayment and/or amounts included in Precept\Levy for Capital Projects and transfers to Earmarked Reserves. The reason for the wide range (3 to 12 months) is to cater for the large variation in sizes of individual authorities. The smaller the authority the closer the figure should be to 12 months NRE, the larger the authority the nearer to 3 months'.

2.1.3. It is therefore UC PC policy to set the General Reserve based on the planned budget expenditure, less loans repayments, capital projects and any agreed transfers to Earmark reserves at the full parish council meeting following agreement of Section 2 (Accounting Statement) of the AGAR. The level of transfers to the Earmarks will also be determined at the same meeting. It is not to be less than the planned budget income from the Chalk Pit lease. This sum, less a 1 month (of the annual budget) operational reserve, should be held in a separate bank account to that used for daily business.

2.1.4. The primary means of building General Reserves will be through underspend or an allocation from the annual budget and the subsequent precept demand.

## **2.2. Earmarked Reserves**

2.2.1. Earmarked Reserves can be held for several reasons and the amounts are intended to be restricted for that agreed use. They are a means of building up funds to meet known or predicted requirements. The 'setting aside' of funds to meet known future expenditure reduces the impact of meeting the full expenditure in one year.

2.2.2. Earmarked Reserves will be established on a 'needs' basis, in line with anticipated requirements. Any decision to set up an earmarked reserve must be made by the full Parish Council. This will follow from recommendation by the Finance Committee following its annual budget planning meeting in November/December. Expenditure from earmarked reserves can only be authorised by the full Parish Council.

2.2.3. The Council, when establishing an earmarked reserve, will set out:

2.2.3.1. The reason / purpose of the reserve;

2.2.3.2. How and when the reserve can be used;

2.2.3.3. Procedures for the management and control of the reserve; a process and timescale for review of the reserve to ensure continuing relevance and adequacy.

2.2.3.4. Earmarked Reserves should be held in a separate bank account to that used for daily business and balances reported to Council with the

regular bank Statement of Expenditure (and bank reconciliation) Statement and budget.

### 2.3. Ring-fenced Reserves

2.3.1. Ring-fenced Reserves are monies or grants allocated for a specific project only and cannot be used for any other purpose. (e.g. Grants received in a previous year but not yet spent).

### 2.4. Election Reserves

2.4.1. Parish Councils are required to hold sufficient funds to cover elections. Accordingly an 'election reserve', is to be held to cover all reasonable costs of holding local council elections which can be fully recharged by the district council to the local council, if they so determine. TVBC currently charge £2.50 per elector (1234 x £2.50 = £3085) for contested elections.

## 3. Procedures

**3.1. Identification of Need** All Councillors and the RFO should raise issues of concern regarding reserves, need or excess, at any council meeting under the Finance agenda item for discussion and resolution at a subsequent meeting. This will normally be for examination and recommendation by the Finance Committee in the annual budget meeting.

**3.2. Annual Budget Meeting** Reserves are to be an Agenda item and all Councillors are to be invited to make a case for consideration at that meeting. The Committee is then to make recommendations regarding the Reserves and Earmarks titles, purposes and target levels to full Council with their proposed budget for the following year.

### 3.3. Confirmation of Reserves

**3.3.1. Title Purpose and Target Level.** To be agreed annually by Council following Budget Meeting recommendations by Finance Committee

**3.3.2. Allocation of Funds to Reserves.** Following presentation of the AGAR to Council, the RFO is to make recommendation to Council regarding the timing and attribution or release of funds from Earmark to Council.

**3.3.3. Use of General Reserves or Earmarks.** Proposals to release funds from from the General Reserve (less operational reserve) or an Earmark should be given notice on the Agenda prior to formal consideration to ensure use is considered in a timely manner.