

Reserves Policy

Adopted by Council on: 1st February 2022

Minute Ref: 21/22.104d)

1. Introduction

- 1.1** Waltham Parish Council (WPC) 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 to comply with Financial Regulations.
- 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. The Joint Panel on Accountability and Governance 'Practitioners' Guide March 2021 section 5.9 advises this should be considered as part of the budgeting process. 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 and to ensure that there are procedures for their establishment and use.
- 1.3** it is essential that the Council has 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.
- 1.4** Reserves can be categorised as either General or Earmarked. General Reserves are intended to provide flexibility in managing day to day financial operations, and Earmarked Reserves are intended to support specific capital projects.

2. General Reserves

- 2.1** The level of general reserves is addressed in the Joint Panel on Accountability and Governance 'Practitioners' Guide March 2021 section 5.32. The generally accepted recommendation about 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). This equates to between £4,000 and £16,000 for WPC. The primary means of building general reserves will be through an allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves that have been consumed in the previous year.
- 2.2** Setting the level of general reserves is one of several related decisions in the formulation of the medium-term financial strategy and the annual budget. The Council must build and maintain sufficient working balances to cover the key risks it faces.
- 2.3** 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.

3. Earmarked Reserves can be held for several reasons:

- Renewals – to plan and finance an effective programme of new facilities and services, replacement and planned property and land maintenance. These

reserves are a mechanism to smooth expenditure so that a sensible programme can be achieved without the need to vary budgets.

- Carry forward of underspend – where some expenditure to capital projects cannot be spend in the budget year. Reserves are used as a mechanism to carry forward these resources.
- Insurance reserve – to enable the Council to meet the excesses of claims not covered by insurance.
- Other earmarked reserves may be set up from time to time to meet known or predicted liabilities.

3.1 Earmarked reserves will be established on a “needs” basis, in line with anticipated requirements.

3.2 Any decision to set up a reserve must be by a Council Resolution.

3.3 Expenditure from reserves can only be authorised by the Council.

3.4 Earmarked Reserves should not be held to fund ongoing (revenue) expenditure. This would be unsustainable as, at some point, the reserves would be exhausted. To the extent that reserves are used to meet short term funding gaps, they must be replenished in the following years. However, earmarked reserves that have been used to meet a specific liability would not need to be replenished, having served the purpose for which they were originally established.

3.5 All earmarked reserves are recorded on a central schedule held by the Responsible Financial Officer which lists the various earmarked reserves and the purpose for which they are held.

4. Current level of financial reserves

4.1 The level of financial reserves held by the council is agreed by the council during the discussions held regarding the setting of the budget for the next financial year and year end accounting procedures.

4.2 The financial reserves set by Council for 2022 – 2023 is £3.000 for General Reserves and £4,000 for Earmarked Reserves.

4.3 As Waltham Parish Council has a well-established revenue programme and minimal capital assets the JPAG recommended figures may not be necessary.

5. RFO Recommendations

5.1 It is **Recommended** that the current level of General reserves continue to be monitored and adjusted to reflect a three-year budgetary planning cycle as advised by JPAG.

5.2 It is also **Recommended** that the current Earmarked reserve expenditure identified in the Highways Improvement Plan is closely monitored and adjusted.