



Reserves Policy

Introduction

Ash 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.

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 and to ensure that there are procedures for their establishment and use.

Types of Reserves

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

Earmarked reserves can be held for several reasons:

- Renewals – to enable services to plan and finance an effective programme of vehicle, equipment and infrastructure replacement and planned property maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.
- Carry forward of underspend - some services commit expenditure to projects but cannot spend the budget in 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.

General Reserves are funds which 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.

Examples of general reserves usage include:

- Covering unexpected costs or budget shortfalls
- Responding to emergencies or natural disasters
- Providing financial stability during economic downturns or periods of reduced funding
- Ensuring continuity of council operations and services

Earmarked Reserves

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

Any decision to set up a reserve must be made by the Council.

Expenditure from reserves can only be authorised by the Council.

Reserves should not be held to fund on-going 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 year. 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.

Earmarked and Other Reserves Earmarked and Other Reserves must be held for genuine and intended purposes. They must be separately identified and enumerated. The level of such reserves will be subject to regular (at least annual) review and approval by the Council.

General Reserves

The level of General Reserve will be maintained at a level appropriate to the Council’s size and situation and the budget setting and review process will ensure that the adopted level is maintained.

It is recognised that changes in activity levels and range of services provided will lead to changes in the requisite minimum level of General Reserve in order to provide working capital for those activities.

General guidance appropriate to Ash Parish Council is at least upto 12 months of Net Revenue Expenditure.

For information

General Reserves at year end 2023 are estimated at £94,000

Earmarked Reserves are £56,212.00

Precept for 2024-25 £97320.73

Caroline Flynn, Responsible Financial Officer to Ash Parish Council

Chairman..... Date 20.05.24..... Minute number 8C