Great Budworth Parish Council

**Reserves Policy**

Adopted: 07/05/2024

Reviewed:

Next Review: March 2025

This policy is supplemental to, and does not in any way override, the Parish Council Standing Orders and/or Financial Regulations.

**Introduction**

This policy describes how Great Budworth Parish Council will exercise financial prudence by making provision in its budget for General Reserves and Earmarked Reserves.

 **Scope**

This policy and its procedures are applied for the parish council’s execution of its financial obligations.

This policy and its procedures will be followed by the clerk/RFO and any other relevant employees and councillors.

**The Legal Framework**

The Local Audit and Accountability Act 2014 and the Local Government Act 1972 are the primary sources of legislation governing the ways in which a parish council manages its financial affairs.

Governance and Accountability for Smaller Authorities (the Practitioners Guide) provides local councils with guidance (some mandatory) for financial management and outlines the information required by the external auditor.

The Financial Regulations and Standing Orders of the council provide further guidance on financial procedures.

**Dissemination and training**

This policy will be available to all relevant employees, as part of the induction process for those who will deal with the council’s finances.

This policy will be available to all councillors by inclusion in the Councillors Handbook.

For transparency the policy will be available on the council’s website.

**Monitoring and review**

A review of the policy shall be undertaken every two years when necessary amendments will be advised by the parish clerk/RFO and reviewed by the full council for approval.

Changes in the law will be monitored and, if necessary, amendments/reviews made to the policy.

**General Reserves**

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 when calculating the precept or be held in case of unplanned or unexpected events or emergencies.

Guidance available in the Governance and Accountability for Smaller Authorities (The

Practitioners Guide) 2020 states that “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. Any authority with an NRE in excess of £200,000 should plan on 3 months equivalent General Reserve.” (p.35), smaller authorities such as Great Budworth Parish Council can hold 12 months in general reserve.

The Responsible Financial Officer will include a proposed amount of General Reserves in the annual forecast budget based on the recommendation above and taking into account any other local factors that might have a bearing on the amount of reserves it is prudent to hold for the forthcoming financial year.

The use of the General Reserves may be requested by any committee of the council but must be agreed by full council before an amount is drawn.

In extreme circumstances, where the General Reserves are exhausted due to major unforeseen spending pressures within a particular financial year, the council will be able to draw down from its Earmarked Reserves to provide short term resources.

Even at times of extreme pressure on the council’s finances, the council must keep a minimum balance sufficient to pay one month’s salaries to staff in General Reserves at all times.

The balance of General Reserves will be reported at each parish council meeting.

**Earmarked Reserves**

Earmarked Reserves are amounts of money set aside in order to build up funds over several years to deliver a defined project or for known significant expenditure. For example, such reserves can be allocated to pay for future rents, leases or election costs; to save for long-term projects such as the purchase of significant assets; to cover any excess payment in the event of an insurance claim; to provide for the eventual replacement ofitems of equipment such as computers.

Each amount earmarked will be shown as a separate line in the forecast budget and the balances reported at each parish council meeting to the full council.

Earmarked Reserves may be drawn down as necessary.

The purpose and level of Earmarked Reserves will be reviewed annually. The balance of the fund will be carried forward to the next financial year unless the purpose of the allocation has concluded or is no longer considered necessary.

Earmarked Reserves will only be used for the purpose for which they have been allocated. Any excess funds remaining at the conclusion of the project or purchase will be returned to General Reserves.

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| **Points Changed** | **Changes** | **Date** | **Changes performed by** | **Agreed at PC meeting** | **Signed** |
| Whole Document | Document created | 19/04/24 | C Constable |  |  |
| Whole Document | Document adopted | 07/05/24 |  |  |  |
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