

# WILBARSTON PARISH COUNCIL

## Reserves Policy

### Introduction

Wilbarston Parish Council is required to maintain adequate financial reserves. 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.

### 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. The level of General Reserves is a matter of judgement and so this policy does not attempt to prescribe a blanket level. 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. 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. Even at times when extreme pressure is put on the Council's finances the Council must always keep a minimum balance sufficient to pay three month's salaries to staff in General Reserves.

### Earmarked Reserves

Are established on a "needs" basis, in line with anticipated requirements. Earmarked reserves can be held for different reasons:

- Carry forward of underspend – if expenditure is committed to projects but cannot/is not spent in the budget year. Reserves are used as a mechanism to carry forward these resources.
- Other earmarked reserves may be set up from time to time to meet known or predicted liabilities.

Any decision to set up a reserve must be by resolution of 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. All Earmarked Reserves are recorded on the Parish Council's accounts.

**Current level of financial reserves**

The level of financial reserves held by the Parish Council will be considered during the discussions held regarding the setting of the budget for the next financial year. The advised level of general reserves to be held by the Parish Council is between 6 - 12 months gross expenditure.

Adopted by Full Council on 9<sup>th</sup> May 2019

Readopted 13<sup>th</sup> May 2021 - Minute Reference 21/83 e

Review May 2022

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