



Wilmington Parish Council Reserves Policy

Adopted 8th January 2025

1. Purpose

- 1.1 Wilmington Parish Council ("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.
- 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 when calculating the budget requirement. However, legislation does not specify the minimum level of reserves that an authority should hold, meaning it is the responsibility of the Responsible Finance Officer to follow current best practice and advise the Council, whilst ensuring there are procedures to follow.
- 1.3 The Joint Panel on Accountability and Governance Practitioners Guide advises that – the generally accepted recommendation with regard to the appropriate minimum level of a Smaller Authorities Reserves is that this should be between 3 & 12 months net revenue expenditure. The smaller the authority the closer the figure may be to 12 months.

2. Types of reserves

- 2.1 Reserves can be categorised as general or identified
- 2.2 Expenditure from Reserves can only be authorised by the Council
- 2.3 **Identified Reserves** can be held for several reasons:
 - Renewals – to enable services to plan and finance an effective programme of equipment replacement and planned 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 such as future Election Costs or Emergencies

- **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.

3. Identified Reserves

- 3.1 Identified reserves will be established on a “needs” basis, in line with anticipated requirements.
- 3.2 Any decision to set up a reserve must be given by the Council.
- 3.3 Identified reserves should not be held to fund ongoing 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, identified 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.
- 3.4 All identified 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.
- 3.5 Reviewing the Council’s Financial Risk Assessment is part of the budgeting and year end accounting procedures and identifies planned and unplanned expenditure items and thereby indicates an appropriate level of reserves.

4. General Reserves

- 4.1 The level of general reserves is a matter of judgment and should be reviewed periodically to ensure it is at an appropriate level for the prevailing Economic conditions. 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.
- 4.2 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, as expressed in its financial risk assessment.
- 4.3 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 identified reserves to provide short term resources, provided these are then replenished at the next budgetary cycle, unless the Council agrees the identified reserve used is no longer required.

5. Opportunity cost of holding reserves

- 5.1 Given the opportunity costs of holding reserves, it is critical that reserves continue to be reviewed each year as part of the budget process to confirm that they are still required and that the level is still appropriate.

6. Current level of financial reserves

6.1 The level of financial reserves to be held will be agreed by the Parish Council during the budget setting process for the next financial year. At this point, the Appendix to this policy will be updated to record the General and Identified Reserves to be held for the budget period.