

THORNHACKETT PARISH COUNCIL

Reserves Policy

Sections 31A and 42A 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. There is no specified minimum level of reserves that a Council should hold, in legislation, however guidance on reserves is provided within the Smaller Authorities Proper Practices Panel (SAPPP) Practitioners' Guide. 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. Type of Reserves

Reserves can be categorised as earmarked or general reserves. Earmarked Reserves can be held for several reasons as follows:

- Money given under a Section 106 agreement to be spent on a specific project or area within the village.
- Money given under a Community Infrastructure Levy (CIL) agreement to be spent to support development by funding infrastructure that the council, local community and neighbourhoods want.
- Renewals – to enable the Council to plan and finance an effective programme of 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 underspend - some services commit expenditure to projects but cannot spend the budget in that year. Reserves are used as a mechanism to carry forward these resources.
- Election Costs – An election could be called at any time if a vacancy becomes available.
- Other earmarked reserves may be set up from time to time to meet known or predicted liabilities.

2. General Reserves

2.1 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.

2.2 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.

2.3 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.

2.4 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, provided these are then replenished at the next budgetary cycle, unless the Council agrees the earmarked reserve(s) used is no longer required.

3. Earmarked reserves

3.1 Earmarked reserves will be established on a 'needs' basis, in line with anticipated requirements. The Practitioners Guide 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 and twelve months of net revenue expenditure".

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

3.3 Earmarked 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, 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.

3.4 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.

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. Opportunity cost of holding reserves

4.1 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.

5. Current level of financial reserves

5.1 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 Earmarked Reserves to be held for the budget period.

Adopted:

Minute

Date of next Review

THORNHACKETT PARISH COUNCIL RESERVES POLICY- APPENDIX 1

Prevailing Reserves to be held for the Budget Year 2025-2026

General Reserve

1. The level of General Reserve shall be maintained at 100% of Planned Annual Expenditure.
2. Planned Annual Expenditure has been forecast as £16,659

Earmarked Reserves

It has been agreed to set earmarked reserves for the following planned expenditure or contingency:

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|----------------------------------|------------|
| 1. Community Infrastructure Levy | £47,873.35 |
| 2. Playground Equipment | £6,372.80 |
| 3. Clock repairs | £1200.00 |
| 4. New noticeboard | £500.00 |
| 5. Bench replacement | £800.00 |
| 6. Defibrillators | £1,500.00 |
| 7. | £0 |
| 8. | £0 |
| 9. | £0 |