



Stapleford Abbots Parish Council

RESERVES POLICY

Version: 1.2

June 2022

A Scope

This policy applies to the Stapleford Abbots Parish Council. Where the term ‘staff’ is used, this includes any staff (paid and voluntary) working for the Council. This policy is aimed at all Councillors and staff working for Stapleford Abbots Parish Council.

B Confidential Notice & Intellectual Property

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C Document Details

Policy	<i>Co-Option Policy</i>
Policy Statement	<i>This document sets out a Reserves Policy for use by Stapleford Abbots PC</i>
Version Number	<i>1.2</i>
Version Date	<i>01/05/2022</i>
Review Date	<i>01/04/2023</i>
Author	<i>J Jackson</i>
Responsible Owner	<i>Stapleford Abbots Parish Council</i>
Approving Body	<i>Stapleford Abbots Parish Council</i>

D Revision History

Version	Revision Date	Details of Changes	Author
1.1	01/06/2021	First version	J Jackson
1.2	01/06/2022	Current version	J Jackson

E Freedom of Information

If requested, this document may be made available to the public and persons outside the Council as part of Stapleford Abbotts Parish Council's commitment to transparency and compliance with the Freedom of Information Act.

F Accessibility

This document can be made available in other styles, formats, sizes, languages and media in order to enable anyone who is interested in its content to have the opportunity to read and understand it. Any such requests should be made to the Clerk.

G Dissemination

This policy will be disseminated to all staff. All staff will have to read this policy at publication and every time there is an update or change to the policy. The Stapleford Abbotts Parish Councillors will have the overall responsibility for implementing the policy.

H Review

This policy will be reviewed every year or when new evidence, policy or guidelines come to light necessitating an update / change. The policy review and update will be the responsibility of the Stapleford Abbotts Parish Council.

Introduction

Stapleford Abbots Parish Council is required to maintain 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 can be categorised as general or earmarked.

Earmarked reserves are held for the following reason:-

Community Projects that require funding in line with the Action Plan.

General Reserves are held for the following reason:-

- 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.

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. 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. 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.

General Reserves

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 addition to any amounts needed to replenish reserves that have been consumed in the previous year. Setting the level of General Reserves that have been consumed in the previous year. 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.

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 keep a minimum balance sufficient to pay one month's salaries to staff in General Reserves at all times.

Opportunity cost of holding reserves in addition to allowing the Council to manage unforeseen financial pressures and plan for known or predicted liabilities, there is a benefit to holding reserves in terms of the interest earned on funds which are not utilised. This investment income is fed into the budget strategy. However, there is an "opportunity cost" of holding funds in reserves, in that these funds cannot than be spent on anything else.

As an example, if these funds were used to repay debt, the opportunity cost would equate to the saving on the payment of interest and the minimum revenue provision, offset by the loss of investments income on the funds. However, using reserves to pay off debt in this way would leave the Council with no funds to manage unexpected risks nor provide a mechanism to fund the planned expenditure for which the reserves were earmarked. 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.

Current level of financial Reserves.

- The level of financial reserves held by the council will be agreed by the Parish Council during the discussions held regarding the setting of the budget for the next financial year.
- All virements of funds must be agreed by full Council.
- The current level of General Reserves to be held by the Council is three twelfths of the annual precepted figure, i.e. to fully cover three months expenditure. The figure of three twelfths of the precept is to be held rather than three months expenditure costs. The current figure for 20/21 is £2904.75
- Any project which has funds allocated to it for more than 3 financial years will be reviewed & the project reviewed to see if it is still a feasible project.