



# Reserves Policy Statement

## 1. Introduction

Harbury Parish Council is required to maintain adequate financial reserves to meet the needs of its organisation and to ensure financial security. This policy sets out how the council will determine and review the level of its reserves.

The Joint Panel on Accountability & Governance Practitioners Guide (JPAG – March 2021 edition) advises:

*'As with any financial entity, it is essential that authorities have sufficient reserves (general and earmarked) to finance both its day to day operations and future plans. It is important, however, given that its funds are generated from taxation/public levies, that such reserves are not excessive.'*

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 specific minimum level of reserves which an authority should hold, and it is the responsibility of the Responsible Financial Officer to advise the parish council about the level of reserves and to ensure that there are procedures for their establishment and use.

## 2. Types of Reserves

These may be categorised as either 'general' or 'earmarked'.

### 2.1 General Reserves

General reserves are funds which do not have any restrictions on their use. They cushion the impact of uneven cash flows, offset budget requirements if necessary or can be held in case of unexpected events or emergencies. Setting the level of the general reserves is agreed as part of the annual budget process.

JPAG (March 2021 edition) advises:

*'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)... The smaller the authority, the closer the figure should be to 12 months NRE, the larger the authority the nearer to 3 months. In practice, any authority with an NRE in excess of £200,000 should plan on 3 months equivalent General Reserve.'*

The primary means of building general reserves will be through a reallocation of funds (underspend on a completed project) and allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves which have been spent in the previous

year. Any surplus on the general reserve at the end of the year may be used to fund capital expenditure, be appropriated to earmarked reserves, or used to limit any increase in the precept. If in extreme circumstances, general reserves are exhausted due to major unforeseen spending pressures within a particular financial year, the parish council would be able to draw down from its EMRs to provide short term resources.

## **2.2 Earmarked Reserves (EMRs)**

EMRs must be held for genuine and intended purposes of expenditure which the council considers likely to be required in the future and greater than that which can be funded from a single year's budget. Their level should be subject to annual review and justification. They should be separately identified to prevent query from internal and external auditors.

EMRs are held for several reasons and shall only be used for the purpose for which they were created:

- Renewals – to enable the planning and financing of an effective programme of equipment replacement and property maintenance/refurbishment. The funds required are built up incrementally over several years when taking into account asset conditions and expected life. They are a mechanism to smooth expenditure without the need to vary budgets.
- Carry forward underspend on an uncompleted project – expenditure committed to a project but not spent in the budget year. Reserves can be used as a mechanism to carry forward those resources.
- Developers' contributions (Sec 106 & CIL) – proceeds from developers which can only be used for specific purposes.
- Other earmarked reserves – these may be set up from time to time to meet known or predicted liabilities.

Where the purpose of an EMR becomes obsolete, or where there is an over-provision of funds, the excess may, on the approval of the parish council, be transferred to other budget headings within the revenue budget, to general reserves or other EMRs.

EMRs will be established on a 'needs' basis in line with anticipated expenditure and these are to be reviewed annually and agreed by the council as part of the budget process.

Any decision to set up an EMR must be approved by the parish council. If the EMRs are used to meet short term funding gaps, they must be replenished in the following financial year. However, EMRs which have been used to meet a specific liability would not need to be replenished after having served the purpose for which they were originally set up.

## **3. Management and Control of Reserves**

Movements in EMRs and general reserves shall be reported to the parish council as part of the monthly budget report. The use of reserves shall be approved by the parish council.

The level of general reserves shall be reviewed on an annual basis during the annual budget process and agreed by the parish council. The minimum level of general reserves shall be

recommended to the council by the Responsible Financial Officer. This will form part of the recommendations for the annual budget and subsequent precept demand by the parish council.

The current level of general reserves to be held by the council is set to between 6 and 12 months of predicted expenditure.

EMRs shall be reviewed on an individual basis. This review will also be undertaken as part of the annual budgeting process. The approval for the creation, amendment, cessation or continuation of EMRs will be given by the parish council.

#### 4. Financial Reserves at 31 March 2024

| <u>Earmarked Reserves</u>          | <u>Amount</u>             | <u>Reason</u>                                |
|------------------------------------|---------------------------|--|
| Tennis & Netball Courts            | £36,836.23                | Repairs & maintenance.                       |
| New Cemetery                       | £67,256                   | Purchase & development of new burial ground. |
| Sec 106 & CIL                      | £748.91                   | New facilities                               |
| BMX/Skate Park Fund                | £15,000                   | New facilities                               |
| Office Refurbishment               | £1,462.53                 | Redecoration                                 |
| Eastfields Solar Community Fund    | £42,580                   | Environmental projects                       |
| Future Energy Project(UKSPF grant) | £13,210.77                | HFE project                                  |
| <b>Total Earmarked Reserves</b>    | <b><u>£177,094.44</u></b> |  |

| <u>Balances at 31 March 2024</u>            |                           |
|---|---------------------------|
| Bank  | £295,462.67               |
| Net adjustment for debtors & creditors etc. | £6423.37                  |
|   | <b><u>£301,886.04</u></b> |
| Earmarked Reserves                          | £177,094.44               |
| General Reserve                             | £124,791.60               |
|   | <b><u>£301,886.04</u></b> |

The council's budgeted net revenue expenditure for 2024/25 is £138,886

#### 5. Document Control

To be reviewed at least annually.