

Batheaston Parish Council – Financial Reserves Policy

Batheaston Parish Council is required to maintain adequate Financial Reserves to meet the needs of the Parish Council and as such serve the residents of the Parish. 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.

The Council will hold reserves for three main purposes:

1. A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
2. A contingency to cushion the impact of unexpected events or emergencies.
3. A means of building up funds, to meet known or predicted requirements.

There is no specified minimum level of Reserves that an authority should hold, and it is the responsibility of the Clerk/Responsible Finance Officer (RFO) to advise the Council about the level of these reserves and to ensure that there are procedures for their establishment and use.

Types of Reserves

Reserves are usually categorised as either **Specific** or **General**.

Specific Reserves

These can be held for several reasons and should only be used for the purpose for which they are created for such as:

- Renewals – to enable services to plan and finance an effective programme of equipment replacement and planned property maintenance. Since a modest change in the budget in any one year may have a disproportionate effect on the precept, these reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets dramatically from year to year.
- Carry forward of underspend - expenditure committed to a project but not spent in the budget year. Reserves can be used as a mechanism to carry forward this resource.
- Developers Contributions – proceeds from developers that can only be used for specified purposes.
- Other Specific Reserves may be set up from time to time to meet known or predicted liabilities.

Specific Reserves will be established on a 'needs' basis, in line with anticipated requirements. Any decision to set up a reserve must be made by Council or relevant Committee. Expenditure from reserves can be authorised in the same way as expenditure from budgets, as per Standing Orders. Identifying all planned and committed expenditure items should form part of the year end accounting and budgeting procedure and thereby indicate an appropriate level of reserves.

All Specific Reserves are to be recorded on a central schedule held by the RFO which lists the various Specific Reserves and the purpose for which they are held. Reserves should not be used to fund ongoing expenditure. To the extent that reserves are used to meet short term funding gaps, they should be replenished in the following year. However, Specific Reserves that have been used to meet a liability (or project) would not need to be replenished, having served the purpose for which they were originally established.

Where the purpose of a Specific Reserve becomes obsolete, or where there is an over-provision of funds, the excess may on the approval of the Council be transferred to other budget headings within the revenue budget or to General Reserves or to one or more other Specific Reserves.

General Reserves

These are funds that do not have restrictions as to their use. These can be used to smooth the impact of uneven cashflows or can be held in case of unexpected events or emergencies. The level of the General Reserve for the forthcoming year will be based upon a risk assessment of the council's main areas of income and expenditure and consider any provisions and contingencies that may be required. Items to be considered will include:

- Salary inflation greater than budgeted level
- Contractual inflation greater than budgeted
- Income levels below budgeted level
- Unexpected essential repairs or maintenance work

The use of General Reserves must be authorised by the Council. Where the reserve amount has arisen because of excess funds through cancelled or obsolete activities the Council may elect to use these funds for another purpose for which no other budget is available.

Control of Reserves

Movements in Specific Reserves and General Reserves shall be reported to the Council monthly as part of the normal accounting reports, and on approved by the Council having regard to this policy and Batheaston Parish Council's Financial Regulations.

The level of General Reserve shall be reviewed on an annual basis during the annual budgetary review. Specific Reserves shall be reviewed on an individual basis. This review will also be undertaken as part of the annual budgeting process. Recommendations on creation, amendment, removal or continuation of Specific Reserves will be given by the RFO to the Council by way of a report forming part of the recommendations for the Annual Budget and Precept Request. Approval for the creation, amendment, removal or continuation of Specific Reserves will be given by the Council.

This is a non-contractual policy and procedure which will be reviewed from time to time. It is based on the SLCC Model Document, and the copyright remains with them.

Date of policy: September 2022

Approving committee: Full Council Meeting

Date of meeting: 27th September 2022

Policy version reference: 1.0

Supersedes: Not applicable – this is a new policy

Date for next review: May 2023