

LINDSEY PARISH COUNCIL

CLERK TO THE COUNCIL

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RESERVE POLICY

Statement of Intent

With reference to Sections 32 and 43 of the Local Government Finance Act 1992, the Parish Council is aware of the need to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. All authorities must have regard to the need to put in place a General Reserve Policy which will include an annual review of the level and purpose of all Earmarked Reserves.

Whilst authorities should 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.

Types of reserves

Reserves can be categorised as general or earmarked.

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.

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 in addition to any amounts needed to replenish reserves that have been consumed in the previous year.

Reserves however should not be held to fund ongoing expenditure. This would be unsustainable as, at some point, the reserves would be exhausted. Smaller authorities also have no specific right to accumulate funds via the precept.

All reserves should be reviewed and justified regularly (i.e. at least annually). It is good practice to transparently publish both the level and rationale of all reserves.

Council is at all times to be mindful of Council should also be aware of the guidance as given in Proper Practices (March 2023 – to be applied to Annual Governance and Accountability Returns covering the period 1 April 2023 to 31 March 2024) which states that:

“The general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances.

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.

The reason for the wide range is to cater for the large variation in activity level between individual authorities. The smaller the authority, the closer the figure may be to 12 months expenditure, the larger the authority, the nearer to 3 months. In practice, any authority with income and expenditure in excess of £200,000 should plan towards 3 months equivalent general reserve.

In all of this it is important that each authority adopt, as a general reserve policy, the level appropriate to their size, situation, risks and plan their budget so as to ensure that the adopted level is maintained”.

Earmarked reserves can be used to cover items such as:

- Renewals
- Carry forward of underspends
- Predicted liabilities
- In response to a specific project

There is, in practice, no upper or lower limit to Earmarked Reserves save only that they must be held for genuine and identifiable purposes and projects, and their level should be subject to regular review and justification (at least annually and at budget setting), and should be separately identified and enumerated.

Policy In Practice

The Council will hold Reserves for these three main purposes: -

1. A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of the General Reserves.
2. A contingency to cushion the impact of unexpected events or emergencies – this also forms part of the General Reserves.
3. A means of building up funds (Earmarked Reserves), to meet known or predicted requirements.

Procedure

1. Any decision to set up a reserve must be made by the Council.
2. Expenditure from reserves can only be authorized by the Council.
3. The reserves will be reviewed by the Council as part of the annual budgeting process.
4. The Responsible Financial Officer will maintain a detailed schedule of all reserves which will form part of the accounts package.

Reserves held effective January 2024

Earmarked Reserves:

1. £7,720.18 – CIL Restricted Reserve
2. £ 837.00 – Election Reserve

General Reserves:

1. £1,650.00 - General Reserve Fund
2. Working Reserve Fund will be finalised at year-end.

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