

## Blisworth Parish Council – Financial Reserves Policy

### 1. Purpose

1.1 Blisworth Parish Council is required to maintain adequate Financial Reserves to meet the needs of the Parish Council. 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.

1.2 Local Councils have no legal powers to hold revenue reserves other than for reasonable working capital or for specifically earmarked purposes. It follows that the year-end General Reserve should not be significantly higher than the annual precept. If the amount of reserves at the year-end are above a certain level in relation to the annual precept the council must give an explanation of the reserves held to the Auditor.

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

The purpose of this policy is to set out how the Council determines and reviews the level of reserves.

### 2. Types of Reserve

The council holds 3 types of reserves categorised as: General Reserves, Earmarked, and Ringfenced.

- **General Reserves** – A working balance held to cushion the impact of uneven cashflow or unexpected events and avoid unnecessary temporary borrowing.
- **Earmarked** -held for specific purposes
- **Ringfenced** - held for one purpose only and cannot be transferred, for example grants allocated for a specific project only, which may not be used for any other purpose

The Responsible Financial Officer will keep a schedule of reserves held at the year-end within the council's accounting package.

### 3. General Reserves

3.1 General Reserves do not have any restrictions as to their use. These reserves can be used to smooth the impact of uneven cash flows, offset budget requirements if necessary or can be held in case of unexpected events or emergencies.

3.2 The primary means of building the General Reserve is through an allocation in the annual budget.

3.3 Approval of the full council is required to move funds from the General Reserve.

3.4 The level of financial reserves held by the council will be agreed by the council annually.

3.5 Guidance states that 'a council should typically hold between 3- and 12-months expenditure as a general reserve' (Good Councillor's Guide on Finance & Transparency).

### 4. Earmarked Reserves

4.1 Earmarked Reserves will be established on a "needs" basis in line with anticipated requirements to meet known or predicted liabilities.

4.2 Earmarked Reserves must be reviewed and / or established by the council annually.

4.3 Expenditure from earmarked reserves can only be authorised by the full council at a Parish Council meeting.

4.4 Any decision to set up a reserve must be made by the Council.

4.5 All Earmarked Reserves are recorded within the council’s accounting package and held by the Responsible Financial Officer which lists the various Earmarked Reserves and the purpose for which they are held.

4.6 Sums can be moved between earmarked reserve headings, by council resolution only, should the need arise or should priorities change.

The council may hold Earmarked Reserves in the following categories:

- Carry forward of underspend, where some expenditure is budgeted for projects but not spent in that financial year. Reserves are used as a mechanism to carry forward these resources.
- Reserves built up over a time period, for example, to pay for an election or capital project. The setting aside of funds over a period of time to meet known future expenditure reduces the impact of meeting the full expenditure in one year.

There is no statutory upper limit save that they must be held for genuine and intended purposes.

## 5. Ringfenced Reserves

5.1 These are funds that cannot be used for any other purpose and are recorded in the council’s accounting package.

- **Community Infrastructure Levy** - CIL Regulation 59C sets out that a local council must use CIL receipts passed to it to ‘support the development of the local council’s area, or any part of that area’, by funding:
  - a) the provision, improvement, replacement, operation or maintenance of infrastructure: or
  - b) anything else that is concerned with addressing the demands that development places on an area .
- **S106 Developers Contribution** – generated through new housing developments.
- Other ringfenced funds, for example donations/grants for a specific item could occur during the year.

Version	Details of any revision	Approved at	Date	Review Date
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**Joint Panel on Accountability and Governance (JPAG) 2022**

Annual Governance Statement assertions Assertion 1 — Financial management and preparation of accounting statements

1.13

The authority needs to have regard to the need to put in place a General Reserve Policy and have reviewed the level and purpose of all Earmarked Reserves. Supporting information on financial management and the preparation of accounting statements can be found in Section 5.

**General reserves: 5.32.**

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

5.33. 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.

5.34. 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. 5.35. 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.

5.36. Authorities with significant self-generated income (other than the precept or levy) should take into account situations that may lead to a loss in revenue as well as increased costs and adapt their general reserve accordingly.

**Earmarked and other reserves:**

5.37. None of the above in any way affects the level of earmarked and/or capital receipts reserves that an authority may or should hold.

5.38. There is, in practice, no upper or lower limit to EMR/CRRs 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. Significant levels of EMRs in particular may give rise to enquiries from internal and/or external auditors.

**5.198. As authorities have no legal powers to hold revenue reserves other than those for reasonable working capital needs, or for specifically earmarked purposes, whenever an authority's year-end general reserve is significantly higher than the annual precept or rates and special levies, an explanation should be provided to the auditor.**