

BATTISFORD PARISH COUNCIL
http://www.battisford-pc.gov.uk
clerk@battisford-pc.gov.uk

BATTISFORD PARISH COUNCIL RESERVES POLICY

1. Battisford Parish Council is required to maintain adequate Financial Reserves to meet the needs of its operations and to ensure financial security. The purpose of this policy is to set out how the Council will determine and review the level of reserves.

The Joint Panel on Accountability and Governance Practitioners Guide (JPAG) March 2024 s 5.31 advises: “As with any financial entity, it is essential that authorities have sufficient reserves (general and earmarked) to finance both their day-to-day operations and future plans.”

Section 49A 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 Precept 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 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, Restricted 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 General Reserves is agreed with the Annual Budget. JPAG March 2024 s 5.34 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 and twelve months net revenue expenditure.” s 5.35 expands “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.” 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. 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.

2.2 Restricted Developers Contributions such as CIL can only be used for specified purposes. A record on how the Council has used its CIL funds must be reported annually to Mid Suffolk District Council and unless they are appropriately identified for a future project, may be taken back after a set period of time if unspent

2.3 Earmarked Reserves (EMR’s) JPAG March 2024 s 5.39 states “There is in practice no upper or lower limit to EMR’s 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 ERM's in particular may give rise from internal and/or external auditors." EMR's 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 program of equipment replacement and property maintenance/refurbishment. The funds required are built up incrementally over several years when taking into account asset conditions and asset life. They are a mechanism to smooth expenditure without the need to vary budgets. • Carry forward of 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. • Other EMR's – these may be set up from time to time to meet known or predicted liabilities. Where the purpose of an EMR's 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, to General Reserves or to one or more other EMR's. EMR's will be established on a "needs" basis in line with anticipated requirements and these are to be reviewed annually when the budget is agreed. Any decision to set up an EMR's must be approved by the Council. If the EMR's 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 Earmarked Reserves and General Reserves shall be reported to the Council in the RFO Report at each meeting. The use of Reserves shall be approved by the Council. The level of General Reserves shall be reviewed on an annual basis during the annual budgetary review and agreed by the 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 Precept request by the Council. The current level of General Reserves to be held by the Council is set at four months of expenditure or £10,000 whichever is the lower. Earmarked Reserves shall be reviewed on an individual basis. This review will also be undertaken as part of the Annual Budgetary Review. Approval for the creation, amendment, cessation or continuation of Earmarked Reserves will be given by the Council.

This policy has been adapted from Newton Parish Council policy with thanks.

Battisford Parish Council adopted this policy on 15th September 2026

Next review September 2028