

BOUGHTON UNDER BLEAN PARISH COUNCIL

General Reserves Policy

Adopted: 13 December 2022

Last review: September 2023

Next review: September 2024



Introduction

Boughton under Blean Parish Council is required to maintain adequate Financial Reserves to meet the needs of the Parish Council. The purpose of this policy is to set out how the Parish 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. However, there is no specific minimum level of reserves that an authority should hold, and it is the responsibility of the Responsible Financial Officer to advise the Parish Council about the level of reserves to ensure that there are procedures for their establishment and use.

Types of Reserves: Reserves may be categorised as General or Earmarked for specific purposes.

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

Local councils have no legal powers to hold revenue reserves other than for reasonable working capital or for specifically earmarked purposes, therefore the year-end general reserve should not be significantly higher than the annual precept.

JPAG (2023 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 and twelve months of net revenue expenditure.*

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.'

Boughton under Blean Parish Council will aim to hold an approximate minimum of 50% of the annual precept in general reserves.

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. Any surplus on the

general reserve at the end of the financial 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 earmarked reserves to provide short term resources.

Earmarked Reserves: Earmarked Reserves are held to meet known or predicted liabilities and shall only be used for the purpose for which they were created.

Any decision to set up an Earmarked Reserve must be made by the Parish Council, and these are to be reviewed annually when the budget is agreed. Where the purpose of an Earmarked Reserve 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 or to General Reserves or to one or more other Earmarked Reserves.

Management and Control of Reserves: Movements in Earmarked Reserves and General Reserves shall be reported to the Parish Council as part of the annual accounts report and at monthly meetings if required. 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 budgetary review and any budgetary requirements are to be agreed by the Parish Council. The minimum level of General Reserves shall be recommended to the Parish Council by the Responsible Financial Officer. This will form part of the recommendations for the Annual Budget and Precept request by the Parish Council. Earmarked Reserves shall be reviewed on an individual basis.