

Hamfallow Parish Council

Reserves Policy

1. Purpose of this policy

The Council is required, under statute, to maintain adequate financial reserves in order to meet the needs of the organisation. Section 50 of the Local Government Finance Act 1992 requires that billing and precepting authorities in England and Wales have regard to the level of reserves needed to meet estimated future expenditure when calculating the budget requirement.

However, 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 Council will hold reserves for the following main purposes:

A General Reserve as a working balance to help cushion the impact of uneven cash flows, provide contingency, and avoid unnecessary temporary borrowing; following guidance and recommended good practice (e.g. JPAG Practitioners Guide, NALC, SLCC)

A working Capital to allow the council to meet its financial commitments before the second part of the Precept is received.

Earmarked funds to meet known or predicted specific requirements or improvement projects, and funds earmarked for other statutory reasons. 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 limit to the maximum value that can be held in earmarked reserves.

This policy on the establishment, maintenance and adequacy of reserves and balances will be reviewed annually.

2. General Reserves

The use of general reserves is not restricted. They can be used to smooth the impact of uneven cash flows, offset the budget requirement, or can be used to cope with unexpected events or emergencies.

It is intended to maintain the General Reserve at a level equivalent to twelve months' precept income, but at all times this should be sufficient to cover staff salaries to cover for long term sickness or the resignation of the Clerk, whereby the services of a locum clerk may be required.

If the balance is drawn down, replenishment will be provided for in future annual budgets.

If the General Reserve is exhausted due to extreme circumstances, the Council may make emergency borrowings from Earmarked and Capital Reserves, which will be replaced preferably from the next annual budget, but it may be necessary to spread this across a number of years.

3. Capital Reserves

Hamfallow Parish Councils annual expenditure is very front end loaded because of our contribution to the Berkeley Burial Committee and the vast amount grass and general maintenance that is required during the warmer months of the year. The level of funding required would be in the order of four months precept income.

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4. Earmarked Reserves

These are set up to meet known or predicted liabilities. Examples of specific reserves include:

- Future projects (such as defibrillator replacement)
- Maintenance of Council Asset (e.g. Bench maintenance or telephone box repainting)

4. Procedure

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

The Council will be required to consider the following when making recommendations for each reserve:

- The reason for / purpose of the reserve
- How and when the reserve can be used
- Procedures for the reserves management and control
- A process and timescales for review of the reserve to ensure continuing relevance and adequacy.

Expenditure from reserves can only be made by the Council.

The reserves will be reviewed by the Council as part of the annual budgeting process to decide on their continued need and whether an appropriate amount is still being held.

The Responsible Financial Officer will maintain a detailed schedule of all reserves which will form part of the accounts process.