

Avon Dassett Parish Council

Reserves Policy

Update Schedule

| Action | Date |
|--|-------------|
| Adopted by Avon Dassett Parish Council | 22 May 2017 |
| Adopted by Avon Dassett Parish Council | 24 May 2018 |
| Adopted by Avon Dassett Parish Council | 13 May 2019 |
| Adopted by Avon Dassett Parish Council | 5 May 2021 |
| Adopted by Avon Dassett Parish Council | 9 May 2022 |

Avon Dassett Parish Council
Reserves Policy

Table of Contents

1) Purpose3

2) Types of Reserve3

3) Review of Reserves.....4

Avon Dassett Parish Council

Reserves Policy

1) Purpose

Avon Dassett Parish Council “the Parish Council,” is required to maintain adequate financial reserves to meet the needs of the organisation but has no legal powers to hold reserves other than those for reasonable working capital needs or for specifically earmarked purposes.

The purpose of this policy is to set out how the Parish Council will determine and review the level of reserves.

The Local Government Finance Act 1992 requires parishes to have regard to the level of reserves needed for meeting estimated future expenditure, when calculating their budget.

However, there is no specified minimum or maximum level of reserves that an authority should hold, and it is the responsibility of the Responsible Financial Officer (RFO) to advise the Parish Council about the level of reserves, and to ensure that there are key protocols for their establishment and use.

Reserves can be used for long term planned or exceptional (unbudgeted or higher than expected) expenditure on the following conditions:

- i) The expenditure must not be recurring;
- ii) Income in reserves from the sale of fixed assets (‘capital receipts’) such as the sale of land, can only be used for capital projects, such as the acquisition and enhancement of land, building, vehicles, plant and equipment.

Budget allocations can be moved from one budget line to another during a financial year, with approval from the Parish Council, so long as the total expenditure for the financial year is not exceeded.

2) Types of Reserve

Reserves can be categorized as earmarked (held for specific purpose), general (held to cushion the impact of uneven cash flows or unexpected events), or ringfenced (held for one purpose only and cannot be transferred).

a) Earmarked Reserves

- i) Earmarked reserves are a means of building up funds over several years to deliver a defined project, predicted liabilities or for known significant expenditure. They are not to be used for emergency operations;

Earmarked reserves will be reviewed and/or established by the Parish Council at the annual budget setting meeting.

- ii) Any changes to the proposed use of earmarked reserves must be agreed by the Parish Council;

Avon Dassett Parish Council

Reserves Policy

- iii) The RFO will note earmarked reserves movements at the end of the financial year;
- iv) Earmarked reserves can be held for:
 - (1) Renewals – to enable services to plan and finance an effective programme of equipment replacement and planned property maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets;
 - (2) Carry forward of under spend - some services commit expenditure to projects but cannot spend the budget in year. Reserves are used as a mechanism to carry forward these resources.

b) Ring Fenced Reserves

Ring fenced reserves are money or grants allocated for a specific project only.

c) General Reserves

- i) 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;
- ii) The Parish Council considers a prudent level of general reserves to be no more than 12 months of its annual expenditure;
- iii) If in extreme circumstances general reserves were 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;
- iv) Even at times when extreme pressure is put on the Parish Council's finances the Parish Council will keep a minimum balance sufficient to pay three month's salaries to staff.
- v) Agreement from full Council is required to move funds from general reserves.

3) Review of Reserves

- a) Given the opportunity costs of holding reserves, reserves will be reviewed each year as part of the budget process to confirm that they are still required and that the level is still appropriate.
- b) At the end of each financial year, the Responsible Financial Officer will make a recommendation to the Council regarding the transfer of an appropriate level of cash from the Current Account to the Deposit Account for the purposes of reserves. The timing of such transfers will be after the arrival of the first precept payment in the following financial year to ensure cash-flow is maintained