



Reserves Policy

Sept 2018 v1.0 approved October 2019

1 Usage

This Policy determines how cash reserves are to be held by Rooksdown Parish Council (RPC). It is based on the guidance quoted in Appendix A below.

2 Statement of Policy

RPC shall hold a General Reserve and Earmarked Reserves as described below.

3 General Reserve

The General Reserve to be held by the Council shall be recommended by the Responsible Financial Officer (RFO) as part of the annual budget setting. This will take into account the likely activity of the council over the next financial year, any financial risks that may arise and any recommendations made by the Internal and External Auditors.

Even at times when extreme pressure is put on the Council's finances the Council must keep a minimum balance sufficient to pay one month's salaries to staff in General Reserves at all times.

Should the General Reserve vary significantly from the agreed levels during the financial year the RFO will recommend how this should be addressed.

The General Reserve should typically be set at an amount sufficient to cover 6 months' expenditure.

General Reserves do not have any restrictions on their use.

4 Earmarked Reserves

Earmarked reserves can be held for several reasons, for example:

- Renewals – to enable the planning and financing of an effective programme of capital item replacement and maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets unduly.
- Carry forward of underspend – the council may commit expenditure to projects that cannot for whatever reason be spent within the financial year. Reserves may be earmarked for such projects as a mechanism to carry forward these resources.
- Insurance reserve – to enable the Council to meet the excesses of claims not covered by insurance.
- Projects reserve – finance may be identified for projects the council wishes to undertake in the coming financial years. The council may also build up a reserve over a number of years with the intention of undertaking such a project. For example, money may be precepted over a period of ten years or more to finance a new community building.

Earmarked Reserves will normally be recommended by the RFO to the council as part of the annual budget setting. However, they may also be set up from time to time during the financial year to meet known or predicted liabilities.

The purpose of each Earmarked Reserve shall be clearly identified in the financial records and summaries.

5 Appendix A

Guidance on which this policy is based

“Governance and Accountability for Smaller Authorities in England – A Practitioners Guide – March 2019” states:

Reserves

5.31. As with any financial entity, it is essential that authorities have sufficient Reserves (General and Earmarked) to finance both its day to day operations and future plans. It is important, however, given that its funds are generated from taxation/public levies, that such reserves are not excessive.

5.32. General Reserve

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 (3) and twelve (12) months Net Revenue Expenditure (NRE). Net Revenue Expenditure (subject to any planned surplus or deficit) is effectively Precept... less any Loan Repayment and/or amounts included in Precept...for Capital Projects and transfers to Earmarked Reserves. The reason for the wide range (3 to 12 months) is to cater for the large variation in sizes of individual authorities. The smaller the authority the closer the figure should be to 12 months NRE...It is important that each authority adopt, as a General Reserve policy, the level appropriate to their size and situation...

5.33. Earmarked and Other Reserves

None of the above in any way affects the level of Earmarked...Reserves (EMR...s) that an authority may or should hold. There is, in practice, no upper or lower limit to EMRs save only that they must be held for genuine and intended purposes, and their level should be subject to regular review and justification (at least annually) and should be separately identified and enumerated.