



## LAWFORD PARISH COUNCIL : RESERVES POLICY

### Preamble

The following policy has been prepared in accordance with:-

- The Local Government Finance Act 1992 which requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement, and
- The Joint Panel on Accountability and Governance Practitioners Guide (JPAG) (March 2020 edition) which advises: *'As with any financial entity, it is essential that authorities have sufficient Reserves (General and Earmarked – refer to Glossary of Terms below) 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.'*

### The Policy

The level of financial reserves held by the Council will be agreed by the Parish Council during the discussions held regarding the setting of the budget for each forthcoming financial year.

The Council will build and maintain sufficient working balances to cover the key risks it faces, as expressed in its financial risk assessment.

The current minimum level of General Reserves to be held by the Council is three months of predicted expenditure.

If, in extreme circumstances, General Reserves are exhausted due to major unforeseen spending pressures within a particular financial year, the Council shall draw down from its Earmarked Reserves to provide short term resources.

Earmarked Reserves will be established on a 'needs' basis, in line with anticipated requirements, and will only be held for a genuine and intended purpose. Any decision to set up a reserve shall be made by the Full Council. All expenditure from reserves shall be authorised by the Full Council.

Earmarked Reserves shall be separately identified and enumerated and will be subject to annual review and justification.

Reserves shall not be held to fund on-going expenditure. This would be unsustainable as, at some point, the reserves would be exhausted.

To the extent that reserves are used to meet short term funding gaps, they will be replenished the following year. However, Earmarked Reserves that have been used to meet a specific liability will not be replenished, having served the purpose for which they were originally established.



This policy will be reviewed on an annual basis to ensure these levels remain appropriate as changes in activity levels / range of services provided will inevitably lead to changes in the requisite minimum of General Reserves.

Day-to-day responsibility for ensuring this policy is put into practice is delegated to: **The Parish Clerk**

The overall and final responsibility for this policy is that of: **The Parish Councillors**

## **Glossary of Terms**

### **General Reserves**

These are funds which do not have any restrictions on their use. These reserves can be used to smooth the impact of uneven cash flow, offset budget requirements if necessary or can be held in case of unexpected events or emergencies.

### **Earmarked Reserves (EMRs)**

These can be held for several reasons. The money is held for specific items of expenditure to meet known or predicted liabilities or projects. Earmarked Reserves can be used to 'smooth' the effects of certain expenditure commitments over a period of time thereby reducing the impact of significant expenditure in any one year.

Typically, they are held for the following reasons:

- Renewals, e.g. equipment, planned property maintenance
- To carry forward an underspend where expenditure has been committed to a particular project that cannot be spent in a year
- To enable the Council to meet the excess of claims not covered by insurance
- To indicate commitment to a capital project
- To meet known or predicted liabilities

Approved by the **Administration Committee**: 3 July 2023

Policy review date: July 2024