

LONGWICK CUM ILMER PARISH COUNCIL

RESERVES POLICY

Introduction:

Longwick cum Ilmer Parish Council is required to maintain adequate financial reserves to meet the needs of the organisation. The purpose of this policy is to set out how the Council will determine and review the level of reserves.

Sections 32 and 43 of the Local Government Finance Act 1992 requires 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 specified minimum level of reserves that an authority should hold and it is the responsibility of the Responsible Financial Officer to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use.

Types of Reserves

Reserves can be categorised as general or earmarked.

Earmarked Reserves can be held for several reasons:

- Renewals – to enable services to plan and finance an effective programme of vehicle, equipment and infrastructure replacement and planned maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary the budget.
- Carry forward of underspend – some services commit expenditure to projects, but cannot spend the budget in year. Reserves are used as a mechanism to carry forward these resources.
- Insurance reserve – to enable the Council to meet the excesses of claims not covered by insurance.
- Other earmarked reserves may be set up from time to time to meet known or predicted liabilities.

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.

Earmarked Reserves

Earmarked Reserves will be established on a “needs” basis, in line with anticipated requirements. Any decision to set up a reserve must be made by the Council. Expenditure from reserves can only be authorised by the Council.

Routine annual expenditure (such as grounds maintenance, administration, and utilities) will be met from the revenue budget and will not be held as earmarked reserves.

General Reserves

The level of General Reserves is a matter of judgement and so this policy does not attempt to prescribe a blanket level. The primary means of building general reserves will be through an allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves that have been consumed in the previous year.

Setting the level of General Reserves is one of several related decisions in the formulation of the medium-term financial strategy and the annual budget. The Council should build and maintain sufficient working balances to cover the key risks it faces, as expressed in its financial risk assessment.

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

Current Level of Financial Reserves

The level of financial reserves will be reviewed and agreed by the Parish Council each year as part of the budget-setting process.

The Council aims to maintain a General Reserve equivalent to approximately six months of operating expenditure. This level is considered appropriate for a small authority with limited income streams, responsibility for community assets, and exposure to unforeseen costs.

In addition to the General Reserve, the Council holds Earmarked Reserves and Community Infrastructure Levy (CIL) funds for specific purposes. These reserves are reviewed annually to ensure they remain appropriate and proportionate.

The Council will publish an annual Reserves Breakdown showing the levels of General Reserves, Earmarked Reserves, and CIL funds held at the start of each financial year.