

POUGHILL PARISH COUNCIL - FINANCIAL RESERVES POLICY

1. Purpose

- 1.1 Poughill Parish Council is required to maintain adequate Financial Reserves to meet the needs of the Parish Council. The purpose of this policy is to set out how the Council will determine and review the level of reserves.
- 1.2 Section 50 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 their budget requirement. However, there is no specific minimum of the level of reserve that the authority should hold and it is the responsibility of the Responsible Financial Officer (RFO) to advise the Parish Council about the level of reserve and to ensure that there are procedures for their establishment and use.
- 1.3 The Council's policy on the establishment, maintenance and adequacy of reserves and balances will be considered annually during the budget preparation process and will be consistent with meeting the Council's overall strategic objectives.

2. Types of Reserves

- 2.1 Reserves can be categorised as general or earmarked.
- 2.2 General Reserves are funds which do not have any restrictions to their use. These reserves are used to cushion the impact of uneven cash flows, provide a buffer against budget shortfalls, or can be held in the case of unexpected events or emergencies.
- 2.3 The generally accepted recommendation (*The Joint Panel on Accountability and Governance - Practitioners Guide*) 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 of the Council's annual net expenditure.
- 2.5 Earmarked Reserves are funds which can be set aside for specific, known, or predicted liabilities or projects. Earmarked Reserves are agreed by Full Council and are reviewed annually when the budget is agreed.
- 2.6 When the purpose of an Earmarked Reserve becomes obsolete, or where there is an over-provision of funds, the excess may, on the approval of the Full Council, be transferred to other budget headings within the revenue budget or to the General Reserve, or to one or more other Earmarked Reserves.

3. Management and Control of Reserves

- 3.1 All decisions to create, amend, or use reserves must be made by Full Council.

- 3.2 The RFO must maintain a schedule of all reserves.
- 3.3 Movements in Earmarked Reserves and the General Reserves shall be reported to Full Council as part of the RFO's finance report.
- 3.4 The level of General Reserve shall be reviewed on an annual basis during the annual budget review and agreed by Full Council. The minimum level of General Reserve shall be recommended to the Parish Council by the RFO. This will form part of the recommendations for the Annual Budget and Precept request by the Parish Council.
- 3.5 Earmarked Reserves shall be reviewed on an individual basis. This review will also be undertaken as part of the Annual budgetary review. Approval for the creation, amendment, cessation or continuation of Earmarked Reserves will be presented to the council by the RFO and approved by Full Council.
- 3.6 General Reserves should not be used for ongoing expenditure. If used to meet short-term gaps, they should be replenished in the following year.