

## **PADBURY PARISH COUNCIL - Reserves Policy**

### **Introduction**

1. Padbury Parish Council is required to maintain adequate financial reserves to meet the needs of the Parish. The purpose of this policy is to set out how the Parish Council will determine and review the level of reserves.
2. The Parish Council has no legal powers to hold reserves but sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to consider the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement (the amount of rates we need to raise). However, there is no specified minimum level of reserves that should be held and it is the responsibility of the Responsible Financial Officer (the Parish Clerk) to advise the Parish Council with regards to the level of reserves and to ensure there are procedures for their establishment and use.
3. Reserves can be categorised as 'general' or 'earmarked'.

### **General Reserve**

4. The General Reserve is the balance on the Parish Council's revenue account and are funds which have no 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. They cannot be used for recurring general expenditure as this would gradually reduce the reserves to zero.
5. There is no specific guidance as to the amount of General Reserves that should be held. Padbury is a small village and any unexpected event or emergency could have a significant effect on the ability of the Parish Council to deal with that event. Therefore, this policy is designed to hold reserves in the range of 80% - 150% of the annual budget. The level should be proposed by the Responsible Financial Officer and agreed annually when setting the final budget for the forthcoming year at a Parish Council meeting.
6. Any surplus on the General Reserve, above the agreed level, may be used to fund capital expenditure, may be included in earmarked reserves or used to limit any increase in the precept for a specific year. If the General Reserve is reduced below the agreed level, then the Responsible Financial Officer would make proposals to the Parish Council to increase the reserves to an acceptable level.
7. The General Reserve may be held in a number of bank savings and deposit accounts.

### **Earmarked Reserve**

8. Earmarked Reserves represent amounts that are generally built up over a period of time which are earmarked for specific items of expenditure or to meet known or anticipated liabilities or projects. They are not to be used for emergency operations.
9. Earmarked Reserves can be held for several reasons:

- To plan for and finance an effective programme of equipment renewal, property maintenance or land acquisition. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to greatly increase budgets (and therefore the rates) in a particular year.
  - Carry forward of committed project funds which cannot be spent within the budgeted year. Reserves are a mechanism to carry forward these resources.
  - Earmarked Reserves may be set up from time to time to meet known or predicted liabilities.
10. Earmarked Reserves must be reviewed and/or established by the Parish Council when setting the budget for the forthcoming year at a Parish Council meeting. Any changes to the proposed use of Earmarked Reserves must be agreed by the Parish Council.
  11. Section 106 funding (if received by the Parish Council) is considered as Earmarked Reserves.
  12. The current Earmarked Reserves are disclosed on the Parish Council's accounts and include the Millennium Wood bank account.

Adopted at the 10<sup>th</sup> September 2024 meeting