

Burton Dassett Parish Council

Reserves Policy

Update Schedule

Adopted by Burton Dassett Parish Council	4 May 2021
	16 May 2022
	15 May 2023
	8 May 2024
	19 May 2025
Next review due May 2027	18 May 2026

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1) The Purpose of a Financial Reserves Policy

Burton Dassett Parish Council is required to maintain adequate financial reserves to meet the needs of the organisation but has no legal powers to hold reserves other than those for reasonable working capital needs or for specifically earmarked purposes.

The purpose of this policy is to set out how the Parish Council will determine and review the level of such reserves and how they will be used.

The Local Government Finance Act 1992 requires parishes to have regard to the level of reserves needed for meeting estimated future expenditure, when calculating their budget. However, there is no specified minimum or maximum level of reserves that an authority should hold, and it is the responsibility of the Responsible Financial Officer (RFO) to advise the Parish Council about the level of reserves, and to ensure that there are key protocols for their establishment and use.

Reserves can be used for long-term planned or exceptional (unbudgeted or higher than expected) expenditure on the following conditions:

- The expenditure must not be recurring
- Income in reserves from the sale of fixed assets (“capital receipts”) such as the sale of land, can only be used for capital projects, such as the acquisition and enhancement of land, buildings, vehicles, plant and equipment

Budget allocations can be moved from one budget line to another during the course of a financial year, with approval from the Parish Council as long as the total expenditure for the financial year is not exceeded.

2) Types of Reserves

Reserves can be categorized as earmarked (held for specific purpose), general (held to cushion the impact of uneven cash flows or unexpected events), or ringfenced (held for one purpose only and cannot be transferred).

2.1) Earmarked Reserves

Earmarked reserves are a means of building up funds over several years to deliver a defined project, predicted liabilities or for known significant expenditure. They are not to be used for emergency operations. Earmarked reserves will be reviewed and/or established by the Council at the annual budget setting meeting. Any changes to the proposed use of earmarked reserves will be agreed by Council. The RFO will note earmarked reserves movements at the end of the financial year. Earmarked reserves are held for specific projects or purposes, or to meet known or predicted liabilities, for example:

- Renewals – to enable the Parish Council to plan and finance an effective programme of equipment replacement. These resources are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.
- Carry forward of underspent – some expenditure is budgeted for projects, but is not spent in that financial year. Reserves are used as a mechanism to carry forward these resources.

2.2) General Reserves

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. The Parish Council considers a prudent level of general reserves to be no more than 12 months' annual expenditure.

If in extreme circumstances general reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Parish Council would be able to run down from its earmarked reserves to provide short term resources. Even at times when extreme pressure is put on the Parish Council's finances, the Council will keep a minimum balance in its general reserves sufficient to pay three months' salary and pension to staff. Agreement from full Council is required to move funds from general reserves.

2.3) Ringfenced Reserves

Ringfenced reserves are grants allocated for a specific project only. This money will not be used for any other purpose.

3) Review of Reserves

Given the opportunity costs of holding reserves, reserves will be reviewed each year, as part of the budget process to confirm that they are still required and that the level is still appropriate.

At the end of each financial year, the Responsible Financial Officer will make a recommendation to the Council regarding the transfer of an appropriate level of cash from the Current Account to the Deposit Account for the purposes of reserves. The timing of such transfers will be after the arrival of the first precept payment in the following financial year to ensure cash-flow is maintained.