

# *Broughton in Amounderness Parish Council*

## **RESERVES POLICY**

Adopted:

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## **1. Introduction**

- 1.1 Broughton Parish Council is required by statute to maintain financial reserves sufficient to meet the needs of the organisation and in addition has statutory limitations on how it spends certain receipts which it must ensure are accounted for separately to the council's general funds.
- 1.2 Whilst there is no statutory minimum (or maximum) level of reserves, the council has no power to hold revenue reserves other than those for reasonable working capital needs or specific earmarked purposes.
- 1.3 The Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide, which sets out the 'proper practices' for how the council must maintain its accounts, recommends that the minimum level of general reserves should be between three and twelve months of net revenue expenditure.
- 1.4 Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. 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.
- 1.5 The Parish Council's Internal and External Auditors review the Council's reserves and their justification annually.
- 1.6 This policy sets out how the Council will manage its reserves.

## **2. General Reserves**

- 2.1 The General Reserve, is the balance of Broughton 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.

- 2.2 The general reserve will be replenished as part of the budget process in any year or where it has been utilised for unexpected/emergency expenditure.
- 2.3 There is no specific guidance as to the amount of 'General Reserves' that should be held. Broughton Parish Council is a small authority 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.
- 2.4 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.

### **3. Earmarked Reserves**

- 3.1 The Council may establish ringfenced (earmarked) reserves for any reason where it reasonably believes it may incur expenditure in the future, such as: Allotments and Play Areas . The Council's current earmarked reserves are detailed below.

### **4. CIL Reserves**

- 4.1 CIL Receipts are subject to statutory restrictions requiring they only be used for certain kinds of expenditure.
- 4.2 In accordance with Financial Regulations the council will hold a CIL Receipts Reserve to ensure CIL receipts are separately accounted for.

## **5. Why we hold Earmarked Reserves**

- 5.1 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.
- 5.2 Carry forward of committed project funds which cannot be spent within the budgeted year. Reserves are a mechanism to carry forward these resources
- 5.3 Earmarked Reserves may be set up from time to time to meet known or predicted liabilities.

*Section 106 funding is considered as Earmarked Reserves.*

## **6. Review and Amendment of Regulations**

This policy will be reviewed annually by Broughton Parish Council as part of the budget setting process.

The Council reserves the right to make variations to the Strategy at any time, subject to the approval of the Full Council.

## **7. Transparency**

*The Strategy should be publicly available on the Councils website.*