

| Review Change Date | Description                                                          |
|--------------------|----------------------------------------------------------------------|
| July 2023          | Reserves Policy adopted                                              |
| Dec 2024           | Reviewed. No Changes. Review again in April 2025 after EOY accounts. |

## **Reserves Policy**

### **1. Purpose of Reserves Policy**

Halsall 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.

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.

Reserves should not be held to fund ongoing expenditure. This would be unsustainable, as at some point the reserves would be exhausted. If reserves are used to meet short term funding gaps, they must be replenished in the following year. However earmarked reserves that have been used to meet a specific liability would not need to be replenished, having served the purpose for which they were originally established.

### **2. Types of Reserves**

Reserves can be categorised as general or earmarked.

- a) Earmarked reserves can be held for several reasons:
  - Renewals – to plan and finance an effective programme of equipment and infrastructure replacement and planned property maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.
  - Carry forward of underspend - some services commit expenditure to projects but cannot spend the budget in that 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.
- b) 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, examples might include:
  - Pay inflation is greater than budgeted
  - Contractual inflation is greater than budgeted.

- Income from Fees and Charges is lower than budgeted
- Immediate expenditure which could not have been foreseen in budget planning

### 3) Earmarked Reserves

Earmarked reserves will be established on a “as needs” basis, in line with anticipated requirements.

| Earmarked Reserve item                                                          | Current Reserve | Planned Reserve |
|---------------------------------------------------------------------------------|-----------------|-----------------|
| Defibrillators (2)                                                              | (900)           | 1800            |
| Electrical Items (Projector, Fridge, Hoover, etc)                               | 0               | 500             |
| Parish Council Election                                                         | (400)           | 4000            |
| Training                                                                        | (300)           | 1000            |
| Benches/Seats                                                                   | (500)           | 2000            |
| Bus Shelters                                                                    | (400)           | 2000            |
| Insurance Excess                                                                | 0               | 500             |
| ( ) 2023/24 Budgeted items to be transferred to Earmarked Reserves if not spent |                 |                 |

### 4) General Reserves

The level of General Reserves is a matter of judgement.

JPAG (March 2022 edition) advises: “The generally accepted recommendation 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 Net Revenue Expenditure (NRE).”

The level of general reserves held by the council will be agreed by the Parish Council as part of the process for the setting of the budget for the next financial year.

| General Reserve                | Current Reserve | Planned Reserve 2024/2025 |
|--------------------------------|-----------------|---------------------------|
| Between 3 and 12 months of NRE | £8,835          | £16,000                   |

### 5) Procedure Adopted for the Management of Reserves

- (1) Any decision to set up a reserve must be made by the Full Council.
- (2) Expenditure from reserves can only be authorised by the Full Council.
- (3) The reserves will be reviewed by the Full Council as part of the annual budgeting process.
- (4) The Responsible Financial Officer will maintain a detailed schedule of all reserves, which will form part of the monthly breakdown.
- (5) Quarterly interest from Parish Council’s Bank accounts will be transferred to the Reserve Account.

### 6) Summary

The above levels of reserves were agreed, and this document adopted by Halsall Parish Council at the meeting on 12<sup>th</sup> July 2023, to be reviewed again each December when the budget for the next financial year is being planned.

This Reserves Policy shall form a part of the Financial Regulations of Halsall Parish Council and, as such, will be reviewed annually and may only be amended or varied by resolution of the Council.