

PAKENHAM PARISH COUNCIL

RESERVES POLICY

Purpose: Pakenham Parish Council is required to maintain adequate financial reserves to meet the needs of the organisation and to ensure financial security. The purpose of this policy is to set out how the Council will determine and review the level of reserves.

Section 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.

The Joint Panel on Accountability and Governance Practitioners Guide (JPAG) (March 2020) advises: It is essential that authorities have sufficient reserves (General and Earmarked) to finance both its day-to-day operations and future plans. It is important, however, given that its funds are generated from taxation/public levies, that such reserves are not excessive.

Proper Practices requires all authorities to have regard to the need to put in place a General Reserve Policy and have reviewed the level and purpose of all Earmarked Reserves.

Types of Reserves: These can be categorised as either General or Earmarked.

General Reserves: General Reserves are funds which do not have any restrictions on their use. These funds are used to level out the impact of uneven cash flow, offset budget requirements, if necessary, or can be held in case of unexpected events or emergencies.

JPAG (March 2020) 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 and twelve months Net Revenue Expenditure. The smaller the authority, the closer the figure should be to twelve months net revenue expenditure, the larger the authority the nearer to three months.

Setting the level of General Reserves is primarily through an allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves which may have been spent in the previous year. The Council should build and maintain sufficient working balances to cover the key risks it faces as per Pakenham's financial risk assessment.

Earmarked Reserves: Earmarked Reserves must be held for their intended purpose and their levels should be subject to an annual review. The earmarked reserves are recorded within the budget papers which list the various earmarked reserves with their purpose and value for which they are held.

Earmarked Reserves are held for several reasons and can be used to cover such items as:

Renewals: To enable the planning and financing of replacement property/refurbishment with the funds being built up over several years. They are a way to smooth expenditure without the need to vary budgets.

Carry forward of underspend: A project which has not been completed within the financial year of the Council.

Other Earmarked Reserves: May be set up from time to time to meet a known or predicted liabilities.

Earmarked Reserves should not be held to fund on going Council expenditure.

Control of Reserves: Reserves are agreed by Council and expenditure from these reserves can only be authorised by Council.

All reserves will be reviewed by Council within the annual budgeting process.

Adopted at a meeting of Council on 18 May 2022

Next review May 2023