

Reserves Policy

1. Beaulieu Parish Council (“the Council”) is required to maintain adequate financial reserves to meet the needs of the Council. 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.
2. Local councils have no legal powers to hold revenue reserves other than for reasonable working capital or for specifically earmarked purposes. It follows that the year-end General Reserve should not be significantly higher than the annual precept. If the amount of reserves at the year-end are above a certain level in relation to the annual precept the council must give an explanation of the reserves held to the Auditor.
3. There is no specified minimum level of reserves that an authority should hold, and it is the responsibility of the Responsible Financial Officer (RFO) to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use.
4. Reviewing the Council’s Financial Risk Assessment is part of the budgeting and year end accounting procedures and identifies planned and unplanned expenditure items and thereby indicates an appropriate level of Reserves.
5. The purpose of this policy is to set out how the Council determines and reviews the level of reserves.

Types of Reserve

6. The Council may hold 3 types of reserves categorised as follows:
 - a. **General Reserves** - held to cushion the impact of uneven cashflow or unexpected events
 - b. **Earmarked Reserves** - held for specific purposes
 - c. **Ringfenced Reserves** - held for one purpose only and cannot be transferred
7. Earmarked and Ringfenced Reserves must be held for genuine and intended purposes and should not be held to fund ongoing general expenditure.
8. The Responsible Financial Officer will ensure that a schedule of reserves is held at the year-end within the council’s accounting package.

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General Reserves

9. General Reserves do not have any restrictions as to their use. These reserves can be used to smooth the impact of uneven cash flows, offset budget requirements if necessary or can be held in case of unexpected events or emergencies. Guidance¹ states that:
 - a. a council should typically hold between 3- and 12-months of normal operating expenditure as a general reserve'; and
 - b. the smaller the authority the closer the figure should be to 12 months expenditure, the larger the authority the nearer to 3 months.
10. The level of financial reserves held by the council will be agreed by the council during the discussions held regarding the setting of the budget for the next financial year. The primary means of building the General Reserve is through an allocation in the annual budget.
11. Council's approval at a Parish Council meeting is required to move funds from the General Reserve.

Earmarked Reserves

12. Earmarked Reserves will be established on a "needs" basis in line with anticipated requirements to meet known or predicted liabilities. The level of Earmarked Reserves must be reviewed by the Council as part of the annual budget setting process.
13. Any decision to set up an Earmarked Reserve, to utilise such reserve or move amounts between Earmarked Reserves can only be made when authorised by Council at a Parish Council meeting.
14. All Earmarked Reserves shall be recorded within the Council's accounting package and held by the Responsible Financial Officer which lists the various Earmarked Reserves and the purpose for which they are held.
15. The Council may hold Earmarked Reserves in the following categories:
 - a. Carry forward of underspend, where some expenditure is budgeted for projects but not spent in that financial year. Reserves are used as a mechanism to carry forward these resources.
 - b. Reserves built up over a time period, for example, to pay for an election. The setting aside of funds over a period to meet known future expenditure reduces the impact of meeting the full expenditure in one year.
16. There is no statutory upper limit save that they must be held for genuine and intended

¹ Joint Panel on Accountability and Governance: Practitioners' Guide (March 2021)

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purposes.

Ringfenced Reserves

17. These are funds that cannot be used for any other purpose and are recorded in the Council's accounting package, examples include:

- a. Community Infrastructure Levy - CIL Regulation 59C sets out that a local council must use CIL receipts passed to it to 'support the development of the local council's area, or any part of that area, by funding:
 - i. the provision, improvement, replacement, operation or maintenance of infrastructure;or
 - ii. anything else that is concerned with addressing the demands that development places on an area'.
- b. S106 Developers Contribution – generated through new housing developments.
- c. Other ringfenced funds, for example donations/grants for a specific item could occur during the year.