

		<b>Policy Name: Reserve Policy</b>  <b>Policy Number: OWPC-03</b>	
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<b>Reviewed by:</b>		Full Council	
Version No	Adopted Date	Next Review	Reason for change (e.g., full rewrite, amendment to reflect new legislation, minor change etc.)
1.0	09/01/23 (FC22/23-37.6)	Dec-23	Full rewrite
2.0	15/01/24	Jan 25	

## 1 PURPOSE

Old Woughton Parish Council (OWPC) 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.

Section 50 of the Local Government Finance Act 1992 requires local councils 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.

OWPC will review their reserve policy as part of the review of Financial Regulations (section 18) and reported to the parish council as part of the budget setting process.

## 2 TYPES OF RESERVES

Reserves are categorised as General, Earmarked and Ring-fenced; these are defined as follows:

### GENERAL RESERVES

The Parish Council maintains a general reserve appropriate with the value of the annual budget and is held to support the ongoing financial viability of the Parish Council in discharging its responsibilities and commitments.

The general reserves are to mitigate the impact of unexpected events and emergencies and interruption to forecast revenue or costs efficiencies, which may mean a contribution is required to fully fund the annual budget.

Setting the level of general reserves is one of several related decisions in setting the annual budget. The Parish Council must build and maintain

sufficient general reserves to cover the key risks it faces, as expressed in its financial risk assessment.

As guidance, the level of general reserves should, in principle, be no lower than 12-months of the Operating Expenditure.

## 2.1 EARMARKED RESERVES

Earmarked Reserves are by definition held for specific purposes and for savings for future projects, including the following:

- (a) Maintenance – to enable council to plan and finance an effective programme of equipment replacement and planned property maintenance. An Earmarked Reserve is a mechanism to even out expenditure over time without the need to significantly vary budgets on an ad hoc basis.
- (b) Future services – to build up reserves for investment in identified services the Parish Council believes will have to be provided in future financial years, e.g. the devolution of services to the Parish Council from the Borough Council.
- (c) Carry forward of underspend – whilst the Parish Council commits expenditure to projects, the timing may go beyond a given financial year. Earmarked Reserves are used as a mechanism to carry forward these financial resources.
- (d) Insurance - to meet the estimate of future claims to enable the Parish Council to meet the excesses not covered by insurance.
- (e) Litigation - to meet the estimate of potential future legal advice and proceedings.
- (f) Other Earmarked Reserves may be set up from time to time to meet known or predicted liabilities or specific projects.

Any decision to set up an Earmarked Reserve must be made by the Parish Council and will require the following to be identified:

- (a) the reason for/purpose of the reserve;
- (b) how and when the reserve can be used;
- (c) a process and timescales for review of the reserve to ensure continuing relevance and adequacy.

At any time, the Parish Council can decide to release funds from earmarked reserves if the purpose for which those funds were earmarked, is no longer a justifiable use of these funds or there is a greater priority. This can include, should the situation arise, needing to cover a shortfall in General Reserves, in the short term.

## 2.2 RING-FENCED RESERVES

Ring-fenced reserves are those that the Parish Council are committed to maintain to fund specific building, land or activities that result from a contract or covenant that the Parish Council is bound by, for example the transfer of a building as a community asset which the Parish Council; has to maintain.

The amount of a ring-fenced reserve is usually agreed at the time that the covenant or contract is entered into.

The ring-fenced reserve can only be spent on the building, land or activity that it is meant for.

## 3 **SETTING & MANAGING FINANCIAL RESERVES**

The level of financial reserves held by the Parish Council will be agreed by Full Council during the discussions held to set the budget for the next and future financial years.

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.

The Responsible Financial Officer will allocate General and Earmarked Reserves as agreed by the Parish Council and report against them on a monthly basis.

The management of reserves is ultimately governed by the Parish Council's Financial Regulations Policy.