

## **1. Introduction**

Streatley Parish Council is required to maintain adequate financial reserves to meet the needs of the organisation. This policy sets out how the Council will determine and review the level of reserves.

The 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, legislation does not specify the minimum level of reserves that an authority should hold, meaning it is the responsibility of the Responsible Financial Officer to follow current best practice and advise the Council, whilst ensuring there are procedures to follow.

The Joint Panel on Accountability and Governance Practitioners Guide (JPAG) (March 2020 edition) advises: 'As with any financial entity, 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.' Reserves fall into two categories – general or allocated/ring fenced.

## **2. General Reserves**

These are funds which do not have any restrictions to their use. These reserves can be used to smooth the impact of uneven cash flow, offset budget requirements if necessary or can be held in case of unexpected events or emergencies (additional grass cutting or salt bin refills, replacement Street lights).

JPAG (March 2020 edition) advises that: 'The accepted recommendation regarding the appropriate minimum level of a Smaller Authority's General Reserves is that this should be maintained at between three (3) & twelve (12) months Net Revenue Expenditure (NRE). NRE is effectively Precept less any Loan Repayments and/or amounts included in Precept for Capital Projects Earmarked.

The primary means of building General Reserves will be through a reallocation of funds (underspend on projects) and allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves that have been consumed in the previous year. Setting the level of General Reserves is one of several related decisions in the formulation of the medium-term financial strategy and the annual budget. The Council must build and maintain sufficient working balances to cover the key risks it faces, as expressed in its financial risk assessment.

### 3. Allocated / Ring-fenced Reserves

These reserves fall into two categories:

1. **Ring-fenced:** Monies that can only be spent on specific items (for instance CIL money and grants). These will usually be awarded to the Parish Council for the intended purpose.
2. **Allocated:** Monies held, or being accumulated, to meet known or predicted future liabilities (renewal/replacement of capital items, Election expenses) and used to prepare for significant expenditure. These funds may be allocated from the annual budget or boosted by any underspends at the end of a financial year.

### 4. Reserve Management

Council must make any decision to set up a new Reserve category. Expenditure from reserves can only be authorised by the Council. Reserves should not be utilised to fund on-going expenditure as this would be unsustainable with, at some point, the reserves becoming exhausted. To the extent that reserves are used to meet short term funding gaps, they must be replenished the following year. However, 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. Reserves should be separately identified and enumerated and should be subject to annual review. The status of Reserves will be formally presented to Council on a 6-monthly basis and published in the relevant Finance section of the Web site.

The level of financial reserves held by the Council will be agreed by the Parish Council during the discussions held regarding the setting of the budget for the next financial year.

The current minimum level of General Reserves to be held by the Council is six months of predicted expenditure. This policy will be reviewed on an annual basis to ensure these levels remain appropriate as changes in activity levels / range of services provided will inevitably lead to changes in the requisite minimum of General Reserves.

**5. Current Reserves categories**

The following is a list of the approved Reserve categories:

- General Reserves
- CIL
- Open Spaces
- Grit/Salt Bins
- Emergency Planning (including Flood fund)
- Recreation Ground
- Common land
- COVID Shopping Float
- Other



Signed : .....

Colin Smith  
Chairman, Streatley Parish Council

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