

SEMER PARISH COUNCIL

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RESERVES POLICY

1. Introduction

- 1.1 This policy sets out the general principles and approach that the 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.

2. Scope of the policy

- 2.1 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.
- 2.2 The Joint Panel on Accountability and Governance Practitioners Guide (JPAG) (March 2024 edition) advises: 'As with any financial entity, it is essential that authorities have sufficient Reserves (General and Earmarked) to finance both their day-to-day operations and future plans. Smaller authorities have no specific right to accumulate funds via the precept. All reserves should be reviewed and justified regularly (i.e. at least annually). It is good practice to transparently publish both the level and rationale of all reserves.'
- 2.3 Reserves fall into two categories – general or earmarked.

3. General Reserves

- 3.1 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.
- 3.2 The Council must build and maintain sufficient working balances to cover the key risks it faces, as expressed in its financial risk assessment.
- 3.3 Council should aim to ensure that the minimum level of General Reserves to be held by the Council is a minimum of three months of predicted expenditure.

4. Earmarked Reserves

- 4.1 These can be held for several reasons.
- 4.2 The money is held for specific items of expenditure to meet known or predicted liabilities or projects.
- 4.3 Earmarked Reserves can be used to 'smooth' the effects of certain expenditure commitments over a period of time, thereby reducing the impact of significant expenditure in any one year.
- 4.4 They will usually be held for the following reasons:
- i. Renewals, e.g. equipment, planned property maintenance
 - ii. To carry forward an underspend where expenditure has been committed to a particular project that cannot be spent in year
 - iii. To enable the Council to meet the excess of claims not covered by insurance

- iv. To indicate commitment to a capital project
 - v. To meet known or predicted liabilities.
- 4.5 Earmarked Reserves will be established on a 'needs' basis, in line with anticipated requirements, and must be held for a genuine and intended purpose.
- 4.6 Any decision to set up a reserve must be made by the Council. Expenditure from reserves can only be authorised by the Council.
5. Review and management of Reserves
- 5.1 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.
- 5.2 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.