



Reserves Policy

Introduction

Hackleton Parish Council is required to maintain adequate financial reserves. The purpose of this policy is to set out how the Council will determine and review the level of reserves.

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. However, there is no specified minimum level of reserves that an authority should hold, and it is the responsibility of the Responsible Financial Officer to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use.

As part of the year-end Annual Return (now referred to as the Annual Governance & Accountability Return) submitted to the External Auditor, whenever the total of the council's reserves is more than twice the annual precept value, the council is requested to provide an explanation of the high level of reserves.

Any decision to set up a reserve must be by resolution of the Council. Expenditure from reserves can only be authorised by the Council. Reserves should not be held to fund on-going expenditure. This would be unsustainable as, at some point, the reserves would be exhausted. To the extent that reserves are used to meet short term funding gaps, they must be replenished in the following year. However, earmarked 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. All Earmarked Reserves are recorded on the Parish Council's accounts.

Types of Reserves

Reserves can be categorised as General, Earmarked or Statutory Earmarked.

General Reserves Are funds which do not have any restrictions as to their use. These reserves can be used to smooth the impact of uneven cash flows, offset the budget requirement if necessary or can be held in case of unexpected events or emergencies. The level of General Reserves is a matter of judgement and so this policy does not attempt to prescribe a blanket level. The primary means of building general reserves will be through an 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. If in extreme circumstances General Reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Council would be able to draw down from its earmarked reserves to provide short term resources. Even at times when extreme pressure is put on the Council's finances the Council must keep a minimum balance sufficient to pay three month's salaries to staff in General Reserves at all times.

Earmarked Reserves Are established on a "needs" basis, in line with anticipated requirements. Earmarked reserves can be held for different reasons:

- Carry forward of underspend – if expenditure is committed to projects but cannot/is not spent in the budget year. Reserves are used as a mechanism to carry forward these resources.
- Other earmarked reserves may be set up from time to time to meet known or predicted liabilities.

Statutory Earmarked Reserves Hackleton Parish Council also hold reserves that arise out of the interaction of legislation and proper accounting practices. Known as Community Infrastructure Levy (CIL) these funds can only be used in accordance with CIL regulations.

Parish councils can spend their CIL on items which address the demands that new development places on the local area and it must be spent within 5 years of receipt. It should not be used for everyday repairs and maintenance such as grass cutting or service bills. It is intended for capital projects relating to the local infrastructure that parish councils typically have responsibility for. If there is a Neighbourhood Plan, this will certainly guide spending plans. If not, parish councils are encouraged to engage with parishioners about community needs.

Parish councils should also consider the merits of contributing their CIL towards larger projects that provide benefit on a wider scale. This could be with neighbouring parishes or with WNC.

Current level of financial reserves

The level of financial reserves held by the Parish Council will be agreed during the discussions held regarding the setting of the budget for the next financial year. The advised level of general reserves to be held by the Parish Council is between 3 and 12-months gross expenditure.

Revision of reserves agreed for 2024/25 Financial Year at December 2023 full council meeting

Earmarked Reserves

Professional Fees £10,000

Elections £5,000

Community Governance Review £30,000

General Reserves £85,000

Next review November 2024