



Castle Hedingham Parish Council

Reserves Policy 2022-2023

Purpose

Castle Hedingham 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.

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. The level of reserves required will vary and will be informed by future expenditure plans. There is no specified minimum or maximum level of reserves that an authority should hold. It is the responsibility of the Responsible Finance Officer (RFO) and Councillors to determine the level of reserves and to ensure that there are procedures for their establishment and use.

The Good Councillors Guide to Finance and Transparency 2018 suggests that a Council should typically hold between 3- and 12-months net revenue expenditure as a general reserve. If the reserve is too low then it may not be enough to cover unexpected expenditure or emergencies, whilst if it is too high an explanation may be sought by the external auditor.

Castle Hedingham Parish Council maintains three types of reserves:

1. General Reserves

This represents the non-ringfenced (earmarked) balance of Council funds. The purpose of the General Reserve is to firstly to operate as a working balance to help manage the impact of uneven cash flows and secondly, to provide a contingency to cushion the impact of emerging or unforeseen events or genuine emergencies. General Reserves are funds which, subject to legal obligations and Council's Financial Regulations, do not have any restrictions as to their use. A level of General Reserves will be maintained which is the equivalent of 6 months expenditure and should not exceed 12 months expenditure. Even in times when extreme pressure is placed upon the Council's finances the Council must always keep a minimum balance enough to pay 3 months' salary to staff and associated payroll costs (e.g. employers NI) in general reserves.

2. Earmarked Reserves

This type of reserve provides a means for the holding or accumulation of funds for use in a later financial year to meet known or planned expenditure. This known or planned expenditure maybe either revenue expenditure or capital expenditure. Earmarked Reserves may increase or decrease through decisions of the Council and as they are spent on their specific and intended purposes. Through annual proportional increases to Earmarked Reserves, the impact on budgets and therefore the annual precept, is minimised. This action also helps to ensure that strong balances are passed to future Councils as part of sustainable financial planning.

Earmarked Reserves are typically held for four main reasons:

- a) Renewals
- b) To carry forward an underspend
- c) To indicate commitment to a capital project
- d) To meet known or predicted liabilities

3. Ringfenced/Restricted Earmarked Reserves

The purpose of Earmarked Reserves are usually defined – and may be redefined or reallocated – by Council should priorities or needs change. However, some funding held in Earmarked Reserves may be ringfenced or restricted for a specific purpose only. For example, capital funding, grants received and CIL funding may be held in specified Earmarked Reserves and may only be spent in accordance with relevant regulations.

Monitoring and Reviewing Reserves

Financial management of the Council's General and Earmarked Reserves is carried out in accordance with the Council's Financial Regulations.

A record of General and Earmarked Reserves is maintained by the RFO and administered through the accounts management process.

The balance of General and Earmarked Reserves are reviewed by Council as part of the Budget Process between September and January each financial year to confirm that provisions are appropriate, and as part of the Year End process. Any transfers between General and Earmarked Reserves must be approved by full Council.

Appendix A

Current Parish Council reserves as reported at Internal & External Audit 2021-2022 For review from September 2022 for adoption at budget meeting January 2023

Type of Reserve	Amount	Reason
1. General Reserve:	£34,833.00	For contingency and business continuity
Of which:	£8,000.00	Covid-19 rates relief grant remaining
2. Earmarked Reserves:		For future expenditure
Historic Village Infrastructure	£20,000.00	
Public Toilets	£5,000.00	
Cemetery and Churchyard memorial repairs	£0.00	
Village Park	£0.00	
Community Garden	£0.00	
Memorial Hall building	£0.00	Building repairs & maintenance to the end of lease term
3. Ringfenced Reserves:		For specific projects
S106 fund to be claimed by June 2022	£1,191.66	Community Garden
S106 balance remaining	£2,623.21	Open Spaces