WOODHAM MORTIMER AND HAZELEIGH PARISH COUNCIL
RESERVES POLICY

FORWARD

The Joint Panel on Accountability and Governance (JPAG) is responsible for issuing proper practices about the governance and accounts of smaller authorities. Its membership consists of sector representatives from the National Association of Local Councils, the Society of Local Council Clerks and the Association of Drainage Authorities, together with stakeholder partners representing the Department for Levelling Up, Housing and Communities, the Department of Environment, Food and Rural Affairs, the Chartered Institute of Public Finance and Accountancy, the National Audit Office, and a representative of the external audit firms appointed to smaller authorities. The National Association of Local Councils provides the secretariat to the JPAG.

The Practitioners' Guide issued by JPAG is published to support smaller authorities in preparation of statutory annual accounting as submitted in the Council's Annual Governance and Accountability Return. Included in the guidance is a section that identifies financial day-to-day operations and future plans for smaller authorities, this document sets out Woodham Mortimer and Hazeleigh Parish Council's policy for responsible administration of financial reserves.

1. OVERVIEW

Woodham Mortimer and Hazeleigh Parish Council ('WM&HPC') is required to maintain adequate financial reserves to meet the needs of the Parish Council duties and responsibilities. The purpose of this policy is to set out how WM&HPC will determine and review the level of reserves.

Sections 32 and 43 of 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 budget requirements. However, there is no specified minimum level of reserves that an authority should hold and it is the responsibility of the Council in conjunction with their Responsible Financial Officer, based on appropriate guidance from internal and external auditors, to ensure procedures for levels of reserves are adopted.

2. TYPES OF RESERVES

Reserves can be categorised as General (GR), Earmarked (EMR) or Ringfenced.

2.1 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 as provision for unexpected events or emergencies, including unplanned expenditure or non-receipt of income. Setting the level of GR is agreed at the Annual Budget and Precept Demand meeting usually held in December. "The generally accepted recommendation with regard to the appropriate minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three (3) and twelve (12) months Net Revenue Expenditure (NRE)."
The primary means of building General Reserves will be through a reallocation of funds (underspend on a completed project) and allocation from the annual budget. This will be in

addition to any amounts needed to replenish reserves which have been spent in the previous year. If in extreme circumstances GR were exhausted due to major unforeseen spending pressures within a particular financial year, the Council would be able to draw down from its EMRs to provide short term resources.

2.2 Earmarked reserves - must be held for genuine and intended purposes and their level should be subject to annual review and justification, they should be separately identified. EMRs can be held for several reasons and should only be used for the purpose for which they were created, including but not limited to:

- Renewals – to enable WM&HPC to plan and finance an effective programme of equipment and infrastructure replacement and maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to significantly vary budgets year on year.

- Carry forward of underspend on an uncompleted project – expenditure committed to a project but not spent in the budget year. Reserves can be used as a mechanism to carry forward those resources.

- Insurance reserves – to enable WM&HPC to meet excesses of claims.

- Other earmarked reserves may be set up from time to time to meet known or predicted liabilities.

Where the purpose of an EMR becomes obsolete, or where there is an overprovision of funds, the excess may, on the approval of the Council, be transferred to other budget headings within the revenue budget, to GR or to one or more other EMRs.

EMRs will be established on a "needs" basis in line with anticipated requirements and these are to be reviewed annually when the budget is agreed.

If the EMRs are used to meet short term funding gaps, they must be replenished in the following financial year. However, EMRs which have been used to meet a specific liability would not need to be replenished, after having served the purpose for which they were originally set up. There is, in practice, no upper or lower limit to EMRs save only that they must be held for genuine and identifiable purposes and projects, and their level should be subject to regular review and justification (at least annually and at budget setting), and should be separately identified and enumerated.

2.3 Ringfenced reserves - are monies or grants received for a specific purpose.

3. MANAGEMENT OF RESERVES

Movement, control and current levels of Reserves shall be reported to the Council at quarterly budget review meetings. Any decision to set up a new or to expend current reserves shall be approved by the Council.

The level of GR shall be reviewed on an annual basis and decided during the Agenda item; Budget Proposals and Precept Demand, usually at the December meeting. The minimum level of GR shall be set according to financial circumstances at the time of the review along with various current associated body recommendations. The Council will aim to set the target level of GR at between 6 and 9 months net revenue expenditure. WM&HPC has no specific right to accumulate funds via the precept demand.