



WORTH PARISH COUNCIL

RESERVES POLICY

Introduction

Worth Parish Council is required to maintain adequate financial reserves to meet the needs of its operations and to ensure financial security. The purpose of this policy is to set out how the Council will determine and review the level of reserves.

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."

Types of Reserves

These may be categorised as either General or Ear Marked for specific purposes.

General Reserves

General Reserves are funds which do not have any restrictions on their use. They cushion the impact of uneven cash flows, offset budget requirements, if necessary, or can be held in case of unexpected events or emergencies.

JPAG (March 2024 edition) advises:

"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 and twelve months of net revenue expenditure...any authority with income and expenditure in excess of £200,000 should plan towards 3 months equivalent general reserve"

Net Revenue Expenditure is understood to exclude:

- Expenditure towards capital purchases
- Expenditure towards projects

Worth Parish Council will:

- During the annual budgeting and precept setting, ensure that the forecast minimum level of General Reserves will exceed the JPAG recommendations.
- Plan and forecast for the maintenance of General Reserves for the subsequent 3 years during the budget setting process.

- Consider the impact to General Reserves of overspends/underspends on budgetary expenditure.
- Review the levels of General Reserves throughout the financial year.

Earmarked Reserves 'EMR's

EMRs must be held for genuine and intended purposes and their level should be subject to annual review and justification. They should be separately identified to prevent query from internal and external auditors.

EMRs are held for several reasons and shall only be used for the purpose for which they were created:

- Renewals – to enable the planning and financing of an effective program of equipment replacement and property maintenance/refurbishment. The funds required are built up incrementally over several years when taking into account asset conditions and asset life. They are a mechanism to smooth expenditure without the need to vary budgets.
- 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.
- Developers Contributions – proceeds from developers which can only be used for specified purposes.
- Other Earmarked Reserves – these may be set up from time to time to meet known or predicted liabilities.

Where the purpose of an Earmarked Reserve becomes obsolete, or where there is an over-provision of funds, the excess may, on the approval of the Parish Council, be transferred to other budget headings within the revenue budget, to General Reserves or to one or more other Earmarked Reserves.

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.

Any decision to set up an EMR must be approved by the Finance & General Purposes Committee/Full Council.

If an EMR is used to augment General Reserves or meet short term funding gaps, it must be replenished in the following financial year unless the purpose for which it was created has been fulfilled or no longer exists.

Date of Adoption 21st November 2024