



Owslebury Parish Council Reserves Policy

Adopted by the Council on 11 April 2022
Reviewed on 17 April 2023
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INTRODUCTION

The purpose of this policy is to set out how the Council will determine and review the level of reserves.

Owslebury and Morestead Parish Council is required to maintain adequate financial reserves to meet the needs of the organisation and to ensure financial security but has no legal powers to hold reserves other than those for reasonable working capital needs or for specifically earmarked purposes.

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. The Joint Panel on Accountability and Governance 'Practitioners' Guide March 2020 section 5.9 advises this should be considered as part of the budgeting process. 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.

Reserves can be used for long term planned or exceptional (unbudgeted or higher than expected) expenditure on the following conditions: -

- the expenditure must not be recurring.
- Income in reserves from the sale of fixed assets ('capital receipts') such as the sale of land, can only be used for capital projects, such as the acquisition and enhancement of land, building, vehicles, plant and equipment.

Budget allocations can be moved from one budget line to another during the course of a financial year, with approval from the Full Council, so long as the total expenditure for the financial year is not exceeded.

TYPES OF RESERVES

Reserves can be categorised as earmarked, ring fenced or general.

EARMARKED RESERVES

Earmarked reserves are a means of building up funds over several years to deliver a defined project, predicted liabilities or for known significant expenditure. They are not to be used for emergency operations.

Earmarked reserves can be held for several reasons:

Renewals - to enable services to plan and finance an effective programme of equipment replacement and planned property maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.



Carry forward of underspend – where some expenditure to projects cannot be spend in the budget year. Reserves are used as a mechanism to carry forward these resources.

Insurance reserve – to enable the Council to meet the excesses of claims not covered by insurance.

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

RING FENCED

Ring fenced reserves are money or grants allocated for a specific project only.

GENERAL RESERVES

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.

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 the Clerk in general reserves at all times.