



Great Addington Parish Council Reserves Policy

Introduction

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

Level of Reserves

The Joint Panel on Accountability and Governance (JPAG) Practitioner's Guide (March 2022 edition) advises that the appropriate minimum level of a Smaller Authority's General Reserve should be maintained at between three (3) and twelve (12) months' Net Revenue Expenditure (NRE) and the smaller the authority the closer to 12 months it should be. It is the responsibility of the Clerk/Responsible Finance Officer through the annual risk assessment to advise the Council about the level of Reserves GAPC should be holding. Currently this figure for Great Addington Parish Council is 12 months' NRE.

Management and Control of Reserves

Movement of reserves will be agreed at GAPC meetings and decisions will be entered in the minutes.

Types of Reserves

These may be categorised as either General or Specific.

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.

Setting the level of General Reserves is agreed with the annual budget.

Earmarked Reserves (EMRs)

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 Parish Council. 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.