

RENDHAM PARISH COUNCIL

GENERAL AND EARMARKED RESERVES POLICY

Status	Adopted
Date Adopted	08/07/2024
Minute Reference	11(d)
Adopting Committee	Full Council
Date of Next Review	July 2025

Introduction

Rendham Parish Council is required to maintain adequate financial reserves to meet its needs. The purpose of this policy is to set out how the council will determine and review its 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. However, there is no specified minimum or maximum 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 there are key protocols for their establishment and use.

The Governance & Accountability for Local Councils Practitioners Guide 2023 (the Practitioners' Guide) states:

As with any financial entity, it is essential that authorities have sufficient Reserves (General and Earmarked) to finance both its day-to-day operations and future plans. It is important, however, given that its funds are generated from taxation/public levies, that such reserves are not excessive.

This policy will be reviewed annually in May or as required.

Specific/Earmarked Reserves

Funding that is "earmarked" means the council is retaining a reserve for specific items of expenditure which can be built up over a number of years to reduce the impact of any significant expenditure in one year.

Rendham Parish Council Reserves can include for:

- a) Renewals: to allow for an effective programme for the replacement of assets.
- b) Insurance and contingency: in case of a claim the council may need to meet the excesses not covered by insurance.

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

General Expenditure Reserves

These reserves are not held to fund future expenditure. In extreme circumstances if the general reserves were exhausted due to unforeseen pressures the council would be able to use its earmarked reserves in the short term but would have to ensure that, if used, they would be replenished the following year.

These funds can be used for unexpected emergencies or events in order for the council to meet its legal and statutory requirements. The following list is not exhaustive:

- Unexpected challenge eg audit.
- Clerk illness.
- Cover for short term cash flow issues.
- Essential repairs/maintenance.
- Unexpected administration duties.
- Employment obligations.
- Election costs in the case of a contested election or by-election.

The level of general reserves or working balances is a matter of judgement and so this policy does not attempt to prescribe a blanket level, however the level of general reserves should not be significantly ie more than three times, higher than the annual precept.

The advice contained within the Practitioners' Guide is that any authority with net revenue expenditure (NRE) in excess of £200,000 should plan on 3 months' equivalent General Reserve.

Those authorities with NRE of less than £200,000 can plan on a general reserve equivalent to between 3 months – 12 months precept.