

# **Brasted Parish Council**

## **RESERVES POLICY**

This Reserves Policy was reviewed and adopted by the Council at its Meeting held on 13 May 2024.

## **Introduction**

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 the budget requirement. However, legislation does not specify the minimum level of reserves that an authority should hold, meaning it is the responsibility of the Council (with advice from the Responsible Financial Officer) to follow current best practice.

Advice from the National Association of Local Councils (NALC) has published the Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide state that it is essential that authorities have sufficient reserves (general and earmarked) to finance both their day-to-day operations and future plans. It also states that smaller authorities have no specific right to accumulate funds via the precept and that all reserves should be reviewed and justified regularly (i.e. at least annually).

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

## **Purpose**

The general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances. The generally accepted recommendation of 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. The smaller the authority, such as is the case with Brasted Parish Council, the closer the figure may be to 12 months expenditure.

Earmarked and other reserves must only 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.

## **Reserves Policy**

Brasted Parish Council considers the primary means of building General Reserves will be through an allocation from the annual budget. The target level of General Reserves will be an amount equivalent to 12 months of projected budgeted expenditure.

The minimum acceptable level of General reserves shall be 50% of 12 months of projected budgeted expenditure and where this level is breached the council must propose immediate measures to return the General Reserves to at least that level.

The maximum acceptable level of General Reserves shall be 110% of 12 months of projected budgeted expenditure and where this level is breached the council must propose immediate measures to return the General Reserves to that level.

Brasted Parish Council may from time to time allocate Earmarked Reserves for clearly defined and identified purposes. The amount, purpose, proposed timelines of building and utilising these Earmarked Reserves should be reported by the council and considered at least annually.