



## **WOMBOURNE PARISH COUNCIL**

### **RESERVES POLICY**

## **1. Purpose**

1.1 Wombourne Parish Council is 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.

1.2 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 level of reserves that an authority should hold and it is the responsibility of the Responsible Financial Officer (RFO) to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use.

## **2. Types of reserves**

2.1 Reserves can be categorised as general or earmarked (but only for a specific item(s) / project(s)).

2.2 Earmarked reserves can be held for several reasons:

- i. Renewals – to enable the council 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.
- ii. Carry forward – of underspend on a identified project which cannot be spent in the budget year. Reserves are used as a mechanism to carry forward these resources.
- iii. Insurance reserve – to enable the Council to meet the excesses of claims not covered by insurance.
- iv. Other earmarked reserves may be set up from time to time to meet known or predicted liabilities.

2.3 General reserves are funds which do not have any restrictions as to their use.

## **3. General Reserves**

3.1 The use of this is not restricted. It can be used to smooth the impact of uneven cash flows, offset the budget requirement, or can be used to cope with unexpected events or emergencies.

3.2 NALC'S Good Councillors Guide on Finance and Transparency suggests – 'Local councils need to hold an amount in reserves to meet unexpected expenditure, otherwise they could run out of money before the end of the financial year. **A council should typically hold between 3 and 12 months expenditure as a general reserve.** If the general reserve is too low then it may not be enough to cover unexpected expenditure or emergencies, whilst if the general reserve is too high then local electors have paid a tax which is not being used for the benefit of the local community'.

3.2 The Parish Council has adopted the following policy for this reserve:

- i. It is intended to maintain the General Reserve at a level equivalent to:  
Room hire income for the financial year,  
Commission income for the financial year and  
3 months expenditure  
but at all times there should be sufficient to cover staff salaries for two months.
- ii. If the balance is drawn down, the Council will endeavour to replenishment funds for upto 3 years or until the end of the next election term.
- iii. If the General Reserve is exhausted due to extreme circumstances, the Council may make emergency borrowings from Earmarked Reserves, which will be replaced in the next annual budget.

#### **4. Earmarked reserves**

4.1 Earmarked reserves will be established on a "needs" basis, in line with anticipated requirements and will be reviewed annually when setting the forthcoming budget.

4.2 Any decision to set up a reserve must be made by the Council.

4.3 Expenditure from reserves can only be authorised by the Council.

4.4 Reserves will not be held to fund ongoing expenditure. This would be unsustainable as, at some point, the reserves would be exhausted. To the extent that reserves are used to meet short term funding gaps, they will be replenished in the following year. However, earmarked reserves that have been used to meet a specific liability would not need to be replenished, having served the purpose for which they were originally established.

4.5 All earmarked reserves are recorded on the budget spreadsheet which lists the various earmarked reserves and the purpose for which they are held.

4.6 At the date of producing this policy, the Council hold the following earmarked reserves:

<b>Earmarked reserve</b>	<b>Year start value</b>	<b>Current value (November 2023)</b>	<b>Notes</b>
New Play Equipment	-£17.09	-£17.09	Will need to balance in next year's budget
Play Equipment	£2,500	£268	
Scout Grant	£4,616	£4,616	Holding for Bratch Scout Group
Elections (for casual vacancies)	£10,000	£10,000	To deal with any casual vacancies that arise
Civic Centre Roof	£43,500	£43,500	Adding £21,750 once a year across 5 years for pitched roof
Brickbridge Playing Fields	£2,500	£2,500	
Staff Salary Contingencies	£2,500	£2,500	To pay for locum staff
Civic Centre Windows	£10,000	£9,811.15	Will be using £722 to pay for additional repairs. Adding £10,000 once a year to save for new windows.
Tree work	£1,050	£1,050	

4.7 Reviewing the Council's Financial Risk Assessment is part of the budgeting and year end accounting procedures and identifies planned and unplanned expenditure items and thereby indicates an appropriate level of Reserves.

## **5. Review**

5.1 This Policy shall be reviewed annually.