West Ilsley Parish Council
Reserves Policy

Version Number	1.4	**Minute Reference for Adoption**	21/22-044
Date Adopted	9th June 2021	**Review Due**	Annually

1. Introduction

1.1 West Ilsley 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 31 and 42 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 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.

2.2 Earmarked reserves can be held for several reasons:

- Renewals – to enable services to plan and finance an effective programme of vehicle, equipment and infrastructure 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 - some services commit expenditure to projects but cannot spend the budget in 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.

2.3 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.

3. Earmarked Reserves

3.1 Earmarked reserves will be established on a "needs" basis, in line with anticipated requirements.

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

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

3.4 Reserves should not be held to fund on-going 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 must 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.

3.5 All Earmarked Reserves are recorded on a central schedule held by the Responsible Financial Officer which lists the various Earmarked Reserves and the purpose for which they are held.

3.6 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.

4. General Reserves

4.1 The primary means of building general reserves will be through an allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves that have been consumed in the previous year.

4.2 The Practitioners' Guide 2021 states: *"The generally accepted recommendation with regard to the appropriate minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three (3) and twelve (12) months Net Revenue Expenditure (NRE). NRE (subject to any planned surplus or deficit) is effectively Precept\Levy less any Loan Repayment and/or amounts included in Precept\Levy for Capital Projects and transfers to Earmarked Reserves. The reason for the wide range (3 to 12 months) is to cater for the large variation in sizes of individual authorities. The smaller the authority the closer the figure should be to 12 months NRE, the larger the authority the nearer to 3 months".*

4.3 Setting the level of General Reserves is one of several related decisions in the formulation of the medium-term financial strategy and the annual budget. The Council must build and maintain sufficient working balances to cover the key risks it faces, as expressed in its financial risk assessment.

4.4 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.

4.5 Even at times when extreme pressure is put on the Council's finances the Council must keep a minimum balance sufficient to pay one month's salaries to staff in General Reserves at all times.

5. Current level of financial reserves

5.1 The level of financial reserves held by the council will be agreed by the Parish Council during the discussions held regarding the setting of the budget for the next financial year.

5.2 The current level of general reserves to be held by the Council is equivalent to the yearly precepted figure, i.e. to fully cover twelve months' expenditure. The figure of the yearly precept is to be held rather than the yearly expenditure costs is suggested.

5.3 The figure for general reserves at the end of the 2023/24 financial year was £12,825.

5.4 The Council agreed to the following levels of earmarked reserves:

Fund	**Amount**
Village Hall	£11,849.32
Play Area	£5,475.00
War Memorial	£2,000.00
Gazebo	£4,000.00
Pond	£3,310.00
Total earmarked reserves	**£26,634.34**

5.5 The above levels of reserves were agreed, and this document adopted by the Parish Council at the meeting on 12th November 2024, to be reviewed again when setting the budget for the financial year 2026/2027.

6. Document History

Date	Version Number	Minute	Changes
9 June 2021	1.0	21/22-044	Policy adopted
17 January 2022	1.1	21/22-166	Policy reviewed. Clerk delegated to remove the Vehicle Activated Sign reserve once this is purchased.
14 March 2022	1.2		Policy updated to remove the Vehicle Activated Sign reserve, update the total earmarked reserves and update the next review date.
17 April 2023	1.3	22/23-112	Policy reviewed. Policy updated to give new earmarked reserve amounts, date of review and date of next review updated.
12 November 2024	1.4	24/065	Policy reviewed. Policy updated to give latest general reserves year end figure, current earmarked reserve amounts, date of review and date of next review updated.