



BISHOPSTOKE PARISH COUNCIL

RESERVES POLICY

**This Reserves Policy was adopted
at the Council meeting on 14 September 2021**

**D Wheal
Clerk to Bishopstoke Parish Council**

BISHOPSTOKE PARISH COUNCIL

RESERVES POLICY

Amendment Sheet

Amendment No.	Date Incorporated	Subject
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RESERVES POLICY

1 Introduction

- 1.1 Bishopstoke 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 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

Reserves can be categorised as General or Earmarked.

- 2.1 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.
- 2.2 Earmarked reserves can be held for several reasons:
 - 2.2.1 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.
 - 2.2.2 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.
 - 2.2.3 Insurance reserve – to enable the Council to meet the excesses of claims not covered by insurance.
 - 2.2.4 Other earmarked reserves may be set up from time to time to meet known or predicted liabilities.

3 General Reserves

- 3.1 It is recommended that Councils maintain a level of general reserves of between 25% and 100% of the precept. For Councils with a precept in excess of £200,000 (such as Bishopstoke) it is recommended that reserves be towards the lower end of this scale.
- 3.2 Allowing reserves to sink too low risks a situation in which the Council is unable to fulfil its basic obligations or pay its staff.

- 3.3** Accordingly, Bishopstoke Parish Council will aim for general reserves between 25% and 40% of the precept and will at all times maintain general reserves of at least 15% of the precept.

4 Earmarked Reserves

- 4.1** Earmarked reserves will be established on a “needs” basis, in line with anticipated requirements.
- 4.2** Any decision to set up or close a reserve must be made by the Council.
- 4.3** All reserves will be monitored by the RFO who will also make recommendations as to the appropriate level for each earmarked reserve as part of the annual budget process.

5 Reviews

- 5.1** All reserves will be reviewed each year as part of the annual budget process.
- 5.2** This policy will be reviewed at least once per Council cycle.