

Parish Council

**SADDLEWORTH**

**Saddleworth Parish Council Reserves Policy**

**1. Purpose**

1.1 Saddleworth 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. The Governance and Accountability for Smaller Authorities in England, A Practitioners Guide, March 2017 section 5.9 advises this should be considered as part of the budgeting process. 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 **earmarked** or **general**.

2.2 Earmarked reserves can be held for several reasons and may be set up at any 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 are established on a “needs” basis, in line with anticipated requirements.

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

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

3.4 Reserves should 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 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 level of general reserves is a matter of judgement and so this policy does not attempt to prescribe a blanket level. It is generally accepted that general revenue reserves are usually within the range of 3 to 12 months of gross expenditure.

4.2 Setting the level of general reserves is one of several related decisions in the formulation of 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.

4.3 In extreme circumstances, if 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.

**5. Current level of financial reserves**

5.1 The level of financial reserves held by the council will be agreed by the council during the discussions held regarding the setting of the budget for the next financial year and the approval of the year end accounting statements.

5.2 The current level of general reserves to be held by the council is 50% of the annual precepted figure, i.e. to cover six months expenditure should the principal authority be unable to pay the next instalment of the precept, which is made bi-annually in April and October.

5.3 A summary of the balances on the earmarked and general reserves is included in the quarterly budget monitoring reports.

**Date of next review December 2024**