

## **Holme on Spalding Moor Parish Council**

### **Reserves Policy**

Holme on Spalding Moor Parish Council needs to maintain reserves to protect against risk, ensure contingencies are in place and to support investment in future projects which are beneficial to the parish.

Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. The Responsible Financial Officer (RFO) has a duty to report on robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003) when the authority is considering its budget requirements.

The Reserves Policy presents information about the requirements to maintain appropriate financial reserves and provides details pm the types of reserves and current and predicted balances. The Parish Council manages risk by assessing the potential impacts of future events, based on the likelihood that they may occur and the severity of any impact. Mitigating actions are then identified to reduce the exposure and appropriate plans are put in place.

The purpose of this Policy is to enable Councillors to review the level of reserves to ensure that they meet the current and future needs of Holme on Spalding Moor Parish Council.

There is no statutory minimum level of reserves, each authority should take advice from its RFO and base its judgement on local circumstances.

Holme on Spalding Moor Parish Council has two types of reserves:

#### **Earmarked Reserves:**

These provide a means of accumulating funds, for use in a later financial year, to meet known or planned policy initiatives. Earmarked reserves will increase through decisions of the Council and will decrease as they are spent on their specific intended purposes. The purpose of an Earmarked Reserve is to set aside amounts for planned future expenditure (capital budget). Once an Earmarked Reserve has been established by the Parish Council it is the responsibility of the RFO to ensure funds are spent in line with their purpose. The purpose of each Earmarked Reserve should be reviewed annually to ensure that it is still relevant. If a specific reserve is no longer considered relevant or there is an overriding financial requirement to fund a priority elsewhere virement can be considered.

## **General Reserves:**

This represents the non-ring fenced (earmarked) balance of Council funds. The main purposes of the General Reserves are firstly to operate as a working balance to help manage the impact of uneven cash flows and secondly, to provide a contingency to cushion the impact of emerging or unforeseen events or genuine emergencies. In general, a robust level of reserve should be maintained and take account of operational and financial issues facing the Parish Council. As a well-run council with a prudent approach to setting its budget we will each year consider our level of general reserves. In assessing the level of the Parish Council's general reserves, account needs to be taken of the risks facing the Council in terms of any significant unforeseen revenue budget expenditure requirements, such as:

Risks not covered by insurance, for example:

1. Election Reserve to meet potential future By-Election costs
2. Unanticipated legal costs
3. Capping of parish council precepts by central government
4. Services devolved from East Riding of Yorkshire Council

It is the responsibility of the RFO to advise the Parish Council about the level of reserves that it should hold and ensure that it has clear protocols for their establishment and use.

Holme on Spalding Moor Parish Council, on the advice of the RFO and guidance of the internal auditor, is required to make its own judgements on the level of reserves, taking into account all relevant local circumstances.

It is the responsibility of the RFO to ensure reserves are spent in line with their purpose. Where expenditure is planned in future accounting periods, it is prudent to build up reserves in advance.

The RFO has a fiduciary duty to local taxpayers and must be satisfied that the decisions taken on balances and reserves represent responsible stewardship of public funds.

Holme on Spalding Moor Parish Council has agreed that it would be prudent to aim for a minimum of 100% of the annual revenue budget (not including Section 106 expenditure) be kept as General Reserves.