

BADSWORTH PARISH COUNCIL

RESERVES POLICY

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1. Introduction

Badsworth Parish Council (BPC) is required to maintain adequate Financial Reserves to meet the needs of the Parish Council. The purpose of this policy is to set out how the Parish Council will determine and review the level of Reserves. 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.

2. Types of Reserves

Reserves may be categorised as General or Earmarked (Specific).

3. General Reserves

General Reserves are funds which do not have any restrictions as to their use. These reserves cushion the impact of uneven cash flows, offset budget requirements, if necessary, or can be held in case of unexpected events or emergencies. Setting the level of General Reserves is agreed with the Annual Budget. The Joint Panel on Accountability and Governance Practitioner's Guide March 2020 (the practitioners guide) sets out the minimum level of reserves that a local authority should hold. At paragraph 5.32 the practitioner's guide states:

General Reserve — 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. In practice, any authority with an NRE in excess of £200,000 should plan on 3 months equivalent General Reserve. In all of this it is important that each authority adopt, as a General Reserve policy, the level appropriate to their size and situation and plan their Budget so as to ensure

that the adopted level is maintained. Changes in activity levels/range of services provided will inevitably lead to changes in the requisite minimum level of General Reserve in order to provide working capital for those activities.

Taking this guidance into account then it would not be unreasonable for Badsworth Parish Council to hold a 12-month NRE reserve.

4. Earmarked Reserves

Earmarked Reserves are held for several reasons and shall only be used for the purpose for which they were created.

- Renewals – to enable services to plan and finance an effective program of equipment replacement and planned property maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement program can be achieved without the need to vary budgets.
- Carry forward of underspend – expenditure committed to a project but not spent in the budget year. Reserves can be used as a mechanism to carry forward these resources.
- Developers Contributions – proceeds from developers that can only be used for specified purposes.
- Other Earmarked Reserves may be set up from time to time to meet known or predicted liabilities.

Any decision to set up an Earmarked Reserve must be made by the Parish Council and these are to be reviewed annually when the budget is agreed. Where the purpose of an Earmarked Reserve becomes obsolete, or where there is an over-provision of funds, the excess may, on the approval of the Parish Council, be transferred to other budget headings within the revenue budget or to General Reserves or to one or more other Earmarked Reserves.

5. Management and Control of Reserves

Movements in Earmarked Reserves and General Reserves shall be reported to the Parish Council as part of the quarterly report and at monthly meetings if required. The use of Reserves shall be approved by the Parish Council. The level of General Reserves shall be reviewed on an annual basis during the annual budgetary review and agreed by the Parish Council.

The minimum level of General Reserves shall be recommended to the Parish Council by the Responsible Financial Officer based on relevant guidance for the sector at the time of budget setting. This will form part of the recommendations for the Annual Budget and Precept request by the Parish Council.

Earmarked Reserves shall be reviewed on an individual basis. This review will also be undertaken as part of the Annual Budgetary Review. Recommendations on creation, amendment, cessation or continuation of Earmarked Reserves will be given by the Responsible Financial Officer to the Parish Council by way of a report forming part of the recommendations for the Annual Budget and Precept request by the Parish Council. Approval for the creation, amendment, cessation or continuation of Earmarked Reserves will be given by the Parish Council.

6. Current level of Financial Reserves

The current total level of Reserves (as at 16 March 2022) is:	£40079
This is split as follows:	
*General Reserves: (12months Net Revenue Expenditure)	£10079
*Earmarked Reserves:	£30000

Breakdown of Earmarked Reserves:	
Out of village parking (June 2019 13.8)	£22000
Traffic calming measures	£8000

*** The level of reserves were reassessed by Council at the March 2022 meeting taking into account information from WMDC Highways and Leeds Diocese and will be reviewed more generally later in the year when consideration is given to setting budgets for the next financial year.**

7. Forward Plan

Badsworth Parish Council will consider the level of reserves during the budget setting process later in 2022 when the Council considers the level of precept to be demanded from the principal authority, Wakefield MDC.