BEETHAM PARISH COUNCIL

Reserves Policy

1. Introduction

Beetham Parish Council is required to manage its financial resources responsibly to ensure it can meet its obligations, maintain financial stability, and support future service delivery. The purpose of this policy is to set out the principles by which the Council determines, maintains, and reviews its financial reserves.

The Council recognises the guidance of the Smaller Authorities' Proper Practices Panel (SAPPP) which states that authorities should hold adequate reserves to:
• support day-to-day operations
• manage financial risks
• plan for future expenditure

The level of reserves must be proportionate to the Council's activities and should not be excessive, given that funds are raised through local taxation. In accordance with the Local Government Finance Act 1992, the Council must have regard to the level of reserves when setting its annual budget and precept.

2. Types of Reserves

Reserves may be categorised as General or Earmarked. Earmarked Reserves can be held for several reasons and are intended to be restricted for that agreed use. General Reserves are funds that do not have any restrictions as to their use.

General Reserves
Exist to:
• manage uneven cash flow
• provide a buffer against unforeseen expenditure
• support financial stability
• help manage budget variations between years

The level of General Reserves is a matter of judgment and so this policy does not attempt to prescribe an overall level. However, the current level of General Reserves to be held by the council is targeted to be a **minimum** of 40% of the annual precept figure. 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. Even at times when extreme pressure is put on the Council's finances the Council must keep a minimum balance, sufficient to pay three month's salaries to staff, in General Reserves always.
General Reserves are held as part of the Council's overall financial risk management strategy. The level of General Reserves will be determined annually as part of the budget-setting process, taking into account:

• Net Revenue Expenditure (NRE)
• known financial risks
• planned capital or project expenditure
• cash flow requirements

Earmarked Reserves
Earmarked Reserves are funds held for specific, identified purposes. Each EMR must:
- have a clear and approved purpose
- be established by resolution of the Council
- be separately identified in financial records
- be reviewed annually

Earmarked Reserves will be established on a 'needs' basis, in line with anticipated requirements. Expenditure from Reserves can only be authorised by the Parish Council. Reserves will not be held to fund ongoing expenditure.

3. Management and Review

The Responsible Financial Officer (RFO) is responsible for:
- advising the Council on appropriate reserve levels
- monitoring reserve balances
- ensuring correct classification of reserves
- reporting reserve movements to Council

Movements in reserves will be reported:
- as part of regular financial reporting
- during budget monitoring
- in the year-end accounting statements

The Council will review its reserves annually as part of the budget and precept-setting process, having regard to its financial risks and operational needs.

4. Use of reserves

Reserves may only be used:
- in accordance with their designated purpose (EMRs), or
- for general financial stability (General Reserves)

The use of reserves must:
- be approved by Council resolution
- be properly recorded in financial statements
- comply with proper accounting practices