



STEEPLE BUMPSTEAD PARISH COUNCIL FINANCIAL RESERVES POLICY

This Financial Reserves Policy shall form a part of the Financial Regulations of Steeple Bumpstead Parish Council, and as such may only be amended or varied by resolution of the Council, or approved Finance Working Group.

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 (RFO) to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use.

This Reserves Policy is intended to minimise the effect of a change in finance and stipulate how reserves will be handled. Financial Reserves shall be set aside on an annual basis to provide the Council with financial stability. It is good practice for the Parish Council to strive to build up at least 1 years operating costs in reserve.

Types of Reserves:

Reserves can be categorised as Ear-Marked or General.

Ear-Marked reserves are specific reserves which may be built up over a period of time and earmarked for specific items of expenditure to meet known or predicted liabilities or projects, including the purchase of capital, equipment, land or property. These Specific Reserves may be used to 'smooth' the effects of certain expenditure commitments over a period of time, thereby reducing the impact of significant expenditure in any one year.

General Reserves shall be built up over a period of time to provide the Council with sufficient funds to cover unexpected or unforeseen expenditure or emergencies, including insurance excesses.

Surpluses in any accounting year, which may be accrued as a result of activities being postponed or cancelled, may be spent, earmarked or placed into General Reserves at the discretion of the Council or Finance Working Group (and minuted accordingly).

The creation of Ear-Marked Reserves:

Ear-Marked Reserves may be created for large or small projects, events or purchases and may include one off items. The item should be identifiable but its cost may not be exact. Round figures will be acceptable. Ear-Marked Reserves may be created where the funding requirement is to be raised over two or more financial years.

How and When the Reserve can be used:

Ear-Marked Reserves shall be used only for the purpose for which they are created. Where the purpose of the Ear-Marked Reserve becomes obsolete, or where there is an over-provision of funds, the excess may on the approval of the Council be transferred to other budget headings within the revenue budget or to General Reserves or to one or more other Ear-Marked Reserves.

The use of **General Reserves** must be authorised by the Council or Finance Working Group. Where the reserve amount has arisen as a result of excess funds through cancelled or obsolete activities the Council may elect to use these funds for another purpose for which no other budget is available.



Ear-Marked and General Reserves are not available for general revenue purposes.

Procedures for the management and control of Reserves:

Movements in Earmarked Reserves and General Reserves shall be reported to the Council on a monthly basis as appropriate as part of the normal accounting reports (Finance / Clerks Report), and on an annual basis as part of the annual accounting (Budget) report. The use of any Reserves shall be approved by the Council or Finance Working Group, having referred to this policy and Steeple Bumpstead Parish Council's Financial Regulations. These figures will be held within the Council's Accounts records.

Review of level of Reserves:

General Reserves; The level of General Reserves is a matter of judgement and so this policy does not attempt to prescribe a blanket level. The primary means of building general reserves will be through an allocation from the annual budget, any interest accrued and any surpluses at year end. This will be in addition to any amounts needed to replenish reserves that have been consumed in the previous year.

General reserves shall be reviewed on an annual basis during the annual budgetary review and at any other point when agreed by the Finance Working Group. The minimum level of General Reserves shall be recommended to the Council by the RFO. This will form part of the recommendations for the Annual Budget and Precept Request to the Council.

Ear-marked Reserves shall be reviewed on an individual basis, at least annually. Recommendations on creation, amendment, cessation or continuance of Ear-marked Reserves will be given by the RFO to the Council or Finance Working Group by way of a report forming part of the recommendations for the Annual Budget and Precept Request. Approval for the creation, amendment, cessation or continuance of Earmarked Reserves will be given by the Council and minuted accordingly.

Principles to Assess the Adequacy of Reserves:

Setting the level of General Reserves is one of several related decisions in the formulation of the medium-term financial strategy and 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.

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. Even at times when extreme pressure is put on the Council's finances the Council must keep a minimum balance sufficient to pay one month's salaries to staff in General Reserves at all times.

In order to assess the adequacy of unallocated General Reserves when setting the budget, the RFO shall take account of the strategic, operational and financial risks facing the Parish Council. The financial risks should be assessed in the context of the Parish Council's overall approach to risk management, with specific reference to the Council's Risk Register.

Current level of financial reserves

The level of financial reserves held by the council will be agreed annually by the Parish Council during the discussions held regarding the setting of the budget for the following financial year.



Appendix 1.

Steeple Bumpstead Parish Council holds three bank accounts.
The main current account will be used for all daily payments and credits.

The first savings account (General Reserves) will be used to safely store and build all savings accrued at the end of each accounting year. Any monies remaining in the current account according to the annual finance report, will be moved into this savings account at the point that the report is accepted by the Council.

The second savings account will hold all monies for any Ear-Marked funds and will only be transferred out in accordance with SBPC's financial policies and in agreement with the Council or Finance Committee / Finance Working Group.

Interest paid into the second savings account will be moved into the first savings account periodically by the Clerk, in order to increase the Council's own reserves, and will be reported within the Clerk's monthly report only.
