CHILDSWICKHAM PARISH COUNCIL

Balances and Reserves Policy
Adopted 08/01/26

The Parish Council is required to maintain adequate financial reserves to meet its needs. The purpose of having a policy will set out how the council will determine and review its 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. However, there is no specified minimum or maximum 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 key protocols for their establishment and use.

The Governance & Accountability for Local Councils Practitioners Guide 2014 states:
As councils have no legal powers to hold revenue reserves other than those for reasonable working capital needs or for specifically earmarked purposes, whenever a council's year-end general reserve is significantly higher than the annual precept, an explanation should be provided to the auditor.

Earmarked reserves, which are set aside for specific purposes and for savings for future projects, should be realistic and approved by the council… the amount of general reserve should annually be risk assessed and approved by the council.

Reserves are categorised as follows:

Specific/Earmarked Reserves

Funding that is "earmarked" for specific items of expenditure which can be built up over a number of years to reduce the impact of any significant expenditure in one year.

- **Renewals:** To hold funds to cover replacement of assets
- **Insurance & contingency:** To hold funds to cover costs/excesses not covered under insurance policy
- **Elections:** To hold funds for contested elections
- **Play equipment:** To hold funds to allow for new/updated/replacement play equipment

Other earmarked reserves may be set up to meet known or predicted liabilities.

General Expenditure Reserves

These reserves are not held to fund future expenditure. In extreme circumstances if the general reserves were exhausted due to unforeseen pressures the council would be able to use its earmarked reserves in the short term but would have to ensure that if used they would have to be replenished the following year.

These funds can be used for unexpected emergencies or events in order that the council can meet its legal and statutory requirements:

- Unexpected challenge i.e. audit
- Clerk illness
- Cover for short term cash flow issues
- Essential repairs/maintenance
- Unexpected administration duties
- Employment obligations

The level of general reserves or working balances is a matter of judgement and so this policy does not attempt to prescribe a blanket level, however the level of general reserves should be maintained at between three-months and twelve-months Net Revenue Expenditure (effectively precept less any loan repayment and/or amounts included in the precept for capital projects and transfers to earmarked reserves).

Risk	**Analysis**
Challenge	Costs incurred through threat to village, people and its surroundings.
Employee	Costs incurred through extra hours worked, illness cover.
Short term cash flow	Delay of funds expected.
Essential repairs	Unexpected issues relating to assets.
Unexpected administrative duties	Costs incurred through challenge or to address an opportunity that arises in relation to the Village, residents or surroundings.
Employment obligations	Provision for cost employment obligations i.e. redundancy, disciplinary issues.

Changes to this policy

The Parish Council will review this policy annually (in May) or as is necessary and appropriate.