



Aldenham Parish Council

Reserves Policy

1 Introduction

- 1.1 Aldenham Parish Council (APC) is required by statute to maintain financial reserves sufficient to meet the needs of the organisation and in addition has statutory limitations on how it spends certain receipts which it must ensure are accounted for separately to the council's general funds.
- 1.2 Whilst there is no statutory minimum (or maximum) 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.
- 1.3 The Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide, which sets out the 'proper practices' for how the council must maintain its accounts, recommends that the minimum level of general reserves should be between three and twelve months of net revenue expenditure. For an authority of the Aldenham Parish Council's size, it states that the lower end (three months, or 25%) is appropriate.
- 1.4 The council's Internal and External Auditors review the council's reserves and their justification annually.
- 1.5 This policy sets out how the council will manage its reserves and is separate to the council's Investments Policy.

2 General Reserve

- 2.1 The general reserve is not ringfenced (earmarked) for any specific expenditure. Its purpose is to smooth the impact of uneven cashflow or cover unexpected/emergency expenditure. It is not intended to fund on-going expenditure.
- 2.2 The general reserve will be replenished as part of the budget process in any year where it has been utilised for unexpected/emergency expenditure.
- 2.3 The council will hold a general reserve of at least 25% (3 Months) of its net revenue expenditure (NRE). This is the difference between
 - its budgeted income and expenditure
 - less any budgeted capital expenditure,
 - expenditure from earmarked reserves and budgeted transfers to reserves
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At the 2021/22 year end APC's general reserve stood at £451,158 – approx. 8 months)



3 Earmarked Reserves

- 3.1 The council may establish ringfenced (earmarked) reserves for any reason where it reasonably believes it may incur expenditure in the future.

As per Practitioners' Guide 'There is, in practice, no upper or lower limit to EMR save only that they must be held for genuine and identifiable purposes and projects, and their level should be subject to regular review and justification (at least annually and at budget setting), and should be separately identified and numerated. Significant levels of EMRs in particular may give rise to enquiries from internal and/or external auditors'

- 3.2 They can also be held as carry forward of underspend. As is the case where the Council commits expenditure to specific items within that year but is unable to spend the budget in the year. Reserves in this instance are used as a mechanism to carry forward budgeted resources e.g. tree works, website improvements etc
- 3.3 Earmarked Reserves for individual projects are to be reviewed at least annually (quarterly reports presented at F&GP Committee are recommended) and the F&GP committee must decide whether the project is still relevant

4 Capital Receipts Reserve

- 4.1 Capital receipts are subject to statutory restrictions requiring they only be used for capital expenditure. APC's capital reserves are from sale of land.
- 4.2 In accordance with Financial Regulations the council will hold a Capital Receipts Reserve to ensure capital receipts are separately accounted for.

5 CIL Receipts Reserve

- 5.1 CIL Receipts are subject to statutory restrictions requiring they only be used for certain kinds of expenditure.
- 5.2 In accordance with Financial Regulations the council will hold a CIL Receipts Reserve to ensure CIL receipts are separately accounted for.

6 Review and Variation to Policy

- 6.1 This policy will be reviewed annually by the Finance & General Purpose Committee as part of setting the council budget.
- 6.2 Where it determines there is justification for doing so, the Finance & General Purposes Committee (or Full Council) may make decisions which are at variance to this policy.



