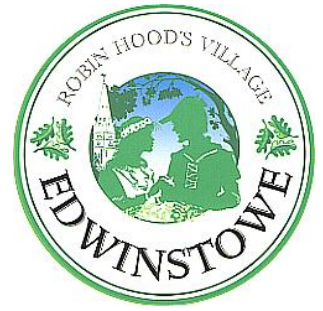


# Edwinstowe Parish Council

*Working to make a difference*



## FINANCIAL RESERVES POLICY

### 1. PURPOSE

The Local Government Finance Act 1992 Sections 32 & 43 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. Therefore, Edwinstowe Parish Council (the Council) is required to maintain adequate Financial Reserves to meet the needs of the Council. As there is no specified minimum level of reserves that an authority should hold, and it is the responsibility of the Responsible Finance Officer to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use, this policy sets out how the Council will determine and review the level of Reserves.

### 2. TYPES OF RESERVES

Reserves at EPC are categorised as either **GENERAL** or **RESTRICTED** Reserves.

The **GENERAL** Reserve is in two parts, Uncommitted Reserve is for unplanned use, but the Committed Reserve, whilst available for use, has been committed by the Council for specific and future spending.

Some of the funds in the General Reserve is 'Uncommitted' and is held to cushion the impact of uneven cash flows or unexpected events, unforeseen and uninsured situations. Some of the General Reserve will be identified as 'Committed' to fund specific Projects identified by the Council. The Committed Reserves are, however, available for other emergency priorities, but will normally be kept for the purposes for which the fund is identified

The **RESTRICTED** Reserve has been received for a specific propose (and is held for this identified and specific purpose).

Reserves are not held to fund ongoing expenditure as this is unsustainable and at some point, the reserves would be exhausted. Where reserves are used to meet short term funding gaps, they must be replenished in the following year.

However, **RESTRICTED** Reserves that have been used to meet a specific liability (or project) do not need to be replenished, having served the purpose for which they were originally established.

General Reserve balances will be reviewed annually.

#### 2.1 GENERAL UNCOMMITTED RESERVES

- a. These funds do not have any legal restrictions as to their use.
- b. The level of General Reserves is a matter of judgment set by the Council. However, advice on reserves from the Local Councils Association is that the amount held should, where possible, be a sum about 3-12 months expenditure costs.

- c. Building General Reserves will be through an allocation from the annual budget. With the addition to any amounts needed to replenish reserves that have been consumed in the previous year.
- d. The Council will maintain sufficient working balances to cover the key risks it faces, as expressed in its Risk Assessment, which is reviewed annually. The Council will maintain a minimum of 3 months running expenses in its General Reserve balance.
- e. If, in extreme circumstances, uncommitted General Reserves are exhausted due to major unforeseen spending pressures within a particular financial year, the Council should draw down from its Committed Reserves to provide short-term resources.
- f. The Council will keep a minimum balance, sufficient to pay three month's salaries to staff, in General Reserves at all times.

## 2.2 GENERAL COMMITTED RESERVES

- a. These funds are held for five main reasons and are intended to be restricted to these agreed usages:
  - To enable the Council to plan and finance an effective programme of equipment replacement and planned property maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.
  - Some services commit expenditure to projects but cannot spend the budget in year. Reserves are used as a mechanism to carry forward these resources.
  - In some instances, surpluses are retained for future investment
  - To meet the estimate of future claims to enable the Council to meet the excesses not covered by insurance.
  - Other **RESTRICTED** reserves may be set up from time to time to meet known or predicted liabilities.
- b. Committed Reserves will be established on a 'need' basis, in line with the strategic policy of the Council. Any decision to set up a Committed Reserve must be given by the Council. Expenditure from Committed Reserves can only be authorised by the Full Council.
- c. Where, exceptionally, Committed Reserves are used to meet a short-term funding gap, they must be replenished in the following year. However, Committed Reserves that have been used to meet a specific liability do not need to be replenished, having served the purpose for which they were originally established.
- d. All Committed Reserves are recorded on a schedule held by the Responsible Finance Officer, which lists the various Committed Reserves and the purpose for which they are held.
- e. Reviewing the Council's Financial Risk Assessment is part of the budgeting and year end accounting procedures and identifies planned and unplanned expenditure items and thereby indicates an appropriate level of Committed Reserves for the Council.
- f. If committed reserves have been moved to uncommitted reserves the council should attempt to restore as soon as reasonably practicable.

### **3 RESTRICTED RESERVES**

Restricted Funds are from s106 income and are restricted in their use, often related directly to the new development to which it was required and are normally time restricted.

### **4. GOVERNANCE CONCERNING THE BALANCES AND RESERVES**

- 4.1 The Council will review the Reserves Policy as part of the review of Financial Regulations and reporting to the Council as part of the budget setting process.
- 4.2 The Council will have the opportunity to review the levels of General Uncommitted and Committed and Restricted Reserves held in accordance with the Council's Financial Regulations and make recommendations for the creation of additional Reserves as part of the annual budgeting process.
- 4.3 The Council will be required to identify when making recommendations for each Committed Reserve:
  - The reason/purpose for the reserve;
  - How and when the reserve can be used;
  - Procedures for the management of the reserve; and
  - A process and timescale for a review of the reserve to ensure continuing relevance and adequacy.

Adopted by Full Council on 13<sup>th</sup> May 2026, Minute Reference 26/007