

Lostock Gralam Parish Council

Reserves Policy

1. Introduction

Lostock Gralam Parish Council is required to maintain adequate financial reserves to meet the needs of the organisation. The purpose of this policy is to set out how the Council will determine and review the 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. There is no specified minimum level of reserves; it is the responsibility of the Responsible Financial Officer (RFO) to advise the Council on the appropriate level and to ensure that there are procedures for their establishment and use.

2. Types of Reserves

Reserves can be categorised as **General Reserves** or **Earmarked Reserves**.

Earmarked Reserves

Earmarked reserves are held for specific purposes and may include:

- **Asset maintenance and replacement** (e.g. play area equipment, tree works)
- **Planned projects** (e.g. boundary signage)
- **Election costs**
- **Community initiatives** (e.g. Lostock in Bloom)
- **Other known or predicted liabilities**

Earmarked reserves are established on a needs basis, in line with anticipated requirements.

- Any decision to create or amend an earmarked reserve must be made by the Council
- Expenditure from earmarked reserves must be approved by the Council
- Earmarked reserves must not be used to fund ongoing expenditure
- Where used for short-term purposes, they should be replenished as appropriate

All earmarked reserves are recorded and monitored by the RFO.

General Reserves

General reserves are funds which do not have any restrictions on their use and act as a financial safety net.

They may be used to:

- Meet unforeseen or emergency expenditure
- Cover legal or contractual disputes
- Fund election costs where no earmarked reserve exists
- Address urgent health and safety issues
- Manage cash flow where necessary

3. Risk Assessment and Reserves

The Council's level of reserves reflects its risk profile, which includes:

- Ownership and maintenance of a public play area and approximately 30 trees
- Responsibility for land including a community centre site
- A lease arrangement with a community organisation
- Exposure to unplanned repairs and health & safety costs
- Potential legal liabilities
- Risk of by-election costs, which are not budgeted annually

These factors justify maintaining a higher level of general reserves than the minimum guidance.

4. Level of General Reserves

The level of General Reserves will be determined annually as part of the Council's budget setting process, taking into account guidance from the JPAG Practitioners' Guide and the Council's financial risk assessment.

- The Council will aim to maintain General Reserves at between 40% and 60% of the annual precept
- The target level is 50% of the annual precept
- The precise level of reserves will be reviewed and approved by the Council each year

The Responsible Financial Officer (RFO) will provide a summary of current and projected reserve levels to inform this decision as part of the annual budget report.

5. Strategy for Maintaining Reserves

The Council recognises that reserves cannot be increased to target level immediately without placing undue pressure on the precept. Therefore, a phased approach will be taken:

- Gradually increase General Reserves over a period of 2–5 years
- Identify cost savings and efficiencies within the annual budget
- Allocate funds to reserves where possible at year end
- Ensure Council funds are held in appropriate interest-bearing accounts to maximise returns
- Review opportunities to strengthen earmarked reserves for known liabilities

6. Relationship Between General and Earmarked Reserves

The Council will aim to:

- Maintain sufficient general reserves for unforeseen risks
- Use earmarked reserves for known or planned expenditure

Where appropriate, funds may be transferred from General Reserves to Earmarked Reserves as risks become more clearly defined.

In exceptional circumstances, earmarked reserves may be used to support General Reserves on a temporary basis.

7. Review and Monitoring

- The level of reserves will be reviewed annually during budget setting
- Reserves will be monitored throughout the financial year by the RFO
- The Council's financial risk assessment will inform reserve levels

8. Current Level of Financial Reserves

The actual level of reserves will be reported to the Council at least annually as part of the budget setting process and year-end reporting.

This will include:

- The balance of General Reserves
- The balance and purpose of each Earmarked Reserve
- An assessment of adequacy against this policy

Details of current reserve levels will be recorded in the Council's financial reports and supporting budget documentation, rather than within this policy.

9. Action if Reserves Fall Below Minimum

If General Reserves fall below 40% of the precept, the Council will:

- Develop a plan to restore reserves over future financial years
- Consider budget adjustments where necessary
- Avoid reliance on reserves for ongoing expenditure

10. Review of Policy

This policy will be reviewed annually as part of the budget-setting process.

Adopted by Lostock Gralam Parish Council

Date: _____

Chairman: _____