

Wye
with Hinxhill
Parish Council



Reserve s Policy

ADOPTED: PARISH COUNCIL MEETING 6 JUNE 2023

Review History	To be reviewed annually
Approved by Full Council	2 nd August 2022 (Minute number 95.22 c)
Reviewed – approved by Full Council	6 th June 2023 (Minute number 91.23 j)
Date of next review	December 2023

This Reserves Policy was adopted by Wye with Hinxhill Parish Council at its Meeting held on 6th June 2023. The Reserves Policy will be reviewed annually.

1. Purpose

1.1 Wye with Hinxhill Parish Council is required to maintain adequate Financial Reserves to meet the needs of its operations and to ensure financial security. The purpose of this policy is to set out how the Parish Council will determine and review the level of reserves.

1.2 Section 31A and 42A 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 specific minimum level of reserves which an authority should hold, and it is the responsibility of the Responsible Financial Officer to advise the Parish Council about the level of reserves and to ensure that there are procedures for their establishment and use.

1.3 The Joint Panel on Accountability and Governance Practitioners' Guide (JPAG), March 2022 edition, advises 'As with any financial entity, it is essential that authorities have sufficient reserves (general and earmarked) to finance both their day-to-day operations and future plans.'¹

2. Types of Reserves

2.1 The Parish Council holds two types of reserves categorised as: General and Earmarked.

- General Reserves – held to alleviate the impact of uneven cash flow or unexpected events
- Earmarked Reserves

Designated – held for projects, but not ringfenced

Restricted – ringfenced for a specific use only

2.2 A schedule of reserves held at the year-end is produced by the Parish Council's accounting package and is presented to the internal and external auditors.

2.3 All funds held in reserve at the year end are rolled forward. This figure is included in the Annual Governance and Accountability Return, Section 2 – Accounting Statements.

¹ Section 5.30 Joint Panel on Accountability and Governance Practitioners' Guide (JPAG), March 2022

3. General Reserves

3.1 General Reserves do not have any restrictions on their use. These reserves can be used to smooth the impact of uneven cash flows, offset budget requirements if necessary or can be held in the case of unexpected events or emergencies.

3.2 The primary means of building the General Reserves is through a reallocation of funds (funds that have not been spent or allocated to a specific Reserve) and allocation in the annual budget.

3.3 Approval of the full Parish Council is required to move funds from the General Reserve.

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

3.5 The Joint Panel on Accountability and Governance Practitioners' Guide (JPAG), March 2022 edition advises that 'the generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months net revenue expenditure.'²

3.6 The Earmarked Reserves are listed at Appendix 1.

4. Earmarked Reserves : Designated

4.1 Designated Reserves will be established on a 'needs' basis in line with anticipated requirements to meet known or predicted liabilities.

4.2 Designated Reserves must be reviewed and/or established by the Parish Council at the annual budget setting meeting.

4.3 Expenditure from Designated Reserves can only be authorised by the full council at a Parish Council meeting.

4.4 Any decision to set up a Designated Reserve must be made by the Parish Council.

4.5 Designated Reserves must be separately identified to prevent query from internal and external auditors.

4.6 All Designated Reserves are recorded within the Parish Council's accounting package, which lists the various Designated Reserves and the purpose for which they are held.

4.7 Sums can be moved between Designated Reserve headings, by Parish Council resolution only, should the need arise or should priorities change.

4.8 The Parish Council's Designated Reserves are listed at Appendix 1.

² Section 5.33 Joint Panel on Accountability and Governance Practitioners' Guide (JPAG), March 2022

5. Earmarked Reserves: Restricted

5.1 Restricted Reserves cannot be used for any other purpose and are recorded in the Parish Council's accounting package.

5.2 The Parish Council's Restricted Reserves are listed at Appendix 1.

5.3 Other restricted funds, for example donations/grants for a specific item, could occur during the year.

6. Management and Control of Reserves

6.1 The use of Reserves shall be approved by the Parish Council.

6.2 The level of General Reserves shall be reviewed annually during the annual budgetary review and agreed by the Parish Council.

6.3 *The current level of General Reserves to be held by the Parish Council is set at equal to between three and six months of predicted expenditure.*

6.4 Designated and Restricted Reserves are built through pre-arranged funding (including Parish Council budget, Grant funding and funding transferred at the year end from General Reserves by agreement of the full council).

6.5 Designated Reserves shall be reviewed on an individual basis. This review will be undertaken as part of the annual budgetary review. Approval for the creation, amendment, cessation or continuation of Designated Reserves will be given by the Parish Council.

7. Financial Services Compensation Scheme (FSCS)

7.1 The Financial Services Compensation Scheme (FSCS) provides protection for customers of failed financial services firms. The Parish Council qualifies for this protection.

7.2 Customer deposits held by banks, building societies and credit unions in UK establishments that are authorised by the Prudent Regulation Authority (PRA) are protected by the FSCS up to £85,000.

7.3 The deposit protection limit applies to the total eligible deposits of each customer, per PRA-authorized firm. A PRA-authorized firm may own several banking and building society brands. This means that a customer with deposits in more than one account under a single brand, or multiple accounts under different brands owned by a single firm, is only protected up to a total of £85,000 across all these accounts.

7.4 The bank accounts held by the Parish Council will be kept under review to ensure that the total funds held in each PRA-authorized firm do not exceed the £85,000 FSCS ceiling at any time. Where prudent, the Parish Council will transfer reserves into a savings account with a different bank or building society. The Parish Council will review savings accounts available which provide easy access to funds when required. The interest rates on offer will also be reviewed and the rates offered will inform any decision to transfer funds between different banks and accounts.

Appendix 1: Parish Council's Reserves

The Parish Council's Restricted Reserves are listed below:

- Henderson Environment Fund
- Allotments Deposit Fund
- Hubble Youth Fund*

*The Hubble Youth Fund holds any Children's Playing Field Charity (CPFC) Grants for the purposes of the charity only and the funds are by extension restricted. This tie to the CPFC differentiates the Hubble Fund from all other reserves.

The Parish Council's Designated Reserves are listed below:

- Allotments Maintenance Fund
- Burial Ground Capital Fund
- Tree Maintenance Fund
- Recreation Areas Maintenance Fund
- Public WC Capital Transfer Fund
- Highways Improvement Fund
- MUGA Future Maintenance
- New Office Fit Out Fund