

RESERVES POLICY

1 Introduction

- 1.1 Goring-on-Thames Parish Council is required to maintain adequate financial reserves to meet the needs of the Council. The purpose of this policy is to set out how the Council will determine and review the level of reserves.
- 1.2 Local Government Finance Act 1992 s32 & 43 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 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 procedures for their establishment and use.

2 Types of Reserves

- 2.1 Reserves can be categorised as general or earmarked.
- 2.2 Earmarked reserves can be held for several reasons:
 - a) Renewals – to enable services to plan and finance an effective programme of vehicle, equipment and infrastructure 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.
 - b) Carry forward of underspend - some services commit expenditure to projects, but cannot spend the budget in year. Reserves are used as a mechanism to carry forward these resources.
 - c) Insurance reserve – to enable the Council to meet the excesses of claims not covered by insurance.
 - d) Other earmarked reserves may be set up from time to time to meet known or predicted liabilities.
 - e) General Reserves are funds which do not have any restrictions as to their use. These reserves can be used to smooth the impact of uneven cash flows, offset the budget requirement if necessary or can be held in case of unexpected events or emergencies.

3 Earmarked Reserves

- 3.1 Earmarked reserves will be established on a “needs” basis, in line with anticipated requirements.
- 3.2 Any decision to set up a reserve must be made by the Council.
- 3.3 Expenditure from reserves can only be authorised by the Council.
- 3.4 Reserves should not be held to fund on-going expenditure. This would be unsustainable as, at some point, the reserves would be exhausted. To the extent that reserves are used to meet short term funding gaps, they must be replenished in the following year. However, earmarked reserves that have been used to meet a specific

liability would not need to be replenished, having served the purpose for which they were originally established.

- 3.5 All Earmarked Reserves are recorded on a central schedule held by the Responsible Financial Officer which lists the various Earmarked Reserves and the purpose for which they are held.
- 3.6 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 Reserves.

4 General Reserves

- 4.1 The level of General Reserves is a matter of judgement and so this policy does not attempt to prescribe a blanket level. The primary means of building general reserves will be through an allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves that have been consumed in the previous year.
- 4.2 Setting the level of General Reserves is one of several related decisions in the formulation of the medium term financial strategy and the annual budget. The Council must build and maintain sufficient working balances to cover the key risks it faces, as expressed in its financial risk assessment.
- 4.3 If in extreme circumstances General Reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Council would be able to draw down from its earmarked reserves to provide short term resources.
- 4.4 Even at times when extreme pressure is put on the Council's finances the Council must keep a minimum balance sufficient to pay one month's salaries to staff in General Reserves at all times.

5 Opportunity Cost of Holding Reserves

- 5.1 In addition to allowing the Council to manage unforeseen financial pressures and plan for known or predicted liabilities, there is a benefit to holding reserves in terms of the interest earned on funds which are not utilised. This investment income is fed into the budget strategy.
- 5.2 However, there is an "opportunity cost" of holding funds in reserves, in that these funds cannot then be spent on anything else. As an example, if these funds were used to repay debt, the opportunity cost would equate to the saving on the payment of interest and the minimum revenue provision, offset by the loss of investment income on the funds. However, using reserves to pay off debt in this way would leave the Council with no funds to manage unexpected risks nor provide a mechanism to fund the planned expenditure for which the reserves were earmarked.
- 5.3 Given the opportunity costs of holding reserves, it is critical that reserves continue to be reviewed each year as part of the budget process to confirm that they are still required and that the level is still appropriate.

6 Current Level of Financial Reserves

- 6.1 The level of financial reserves held by the council will be agreed by the Parish Council during the discussions held regarding the setting of the budget for the next financial year.
- 6.2 The current level of operating reserves to be held by the Council is approximately 40% of the annual precepted figure, this fully covers approximately six months'



expenditure of standard payments. This figure is current £71464 for the financial year of 2023/24. The Council agreed to the following levels of reserves:

EARMARKED RESERVES				
	Account	End Last Year FY 2022-2023	In Year Amendment	Proposed End of Year FY 2023-2024
320	EMR Operating Reserve	71464		71464
325	EMR Tree Felling & Replacement	12000		12000
330	EMR Playground Equipment	20500		20500
335	EMR MIGGS Pavement Widening	5000	-3000	2000
340	EMR Car Park Reserves	12000	2000	14000
345	EMR CIL	68940	-15000	53940
350	EMR Pedestrian Safety	511		511
355	EMR Street Lighting Replacement	41450		41449
360	EMR Covid-19 Response	4555	-4555	0
365	EMR Security	3249		3249
370	EMR Public Spaces Strategy	11007		11007
375	EMR GGBN Reserved Monies	699		699
380	EMR External Audit Costs	0		0
385	EMR WHBG Reserved Plots	5500		5500
390	EMR Summer of Play	0		0
395	EMR Winter of Play	0		0
400	EMR Jubilee 2022	0		0
410	EMR WHBG - 99y Maintenance	5000	1000	6000
415	EMR Public Buildings	8000	5000	13000
420	EMR Election Costs	0		0
425	EMR Freedom of Goring	940	500	1440
430	EMR Previous Financial Year Commitments	0		0
435	EMR 23/24 Sink Reserves		39560	39560
TOTAL RESERVES		270815	25505	296319

6.3 These levels of Reserves were agreed at the meeting of the Parish Council in November 2022, and reflect also the monies spent from reserves during the remainder of the 2022-2023 FY.

7 Review of the Policy

7.1 This policy was reviewed and updated by the Parish Council at its meeting on 15th May 2023 and will be reviewed periodically, but not less than once per council term (nominally 4 years).

Signed:

15th May 2023
Chair of the Council