

# Bredfield Parish Council

## Reserves Policy

### 1) Purpose

Bredfield 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.

The guide to proper practices requires all authorities to have regard to the need to put in place a General Reserve Policy and have reviewed the level and purpose of all Earmarked Reserves. Furthermore, it is stated that whilst authorities should have sufficient Reserves (General and Earmarked) to finance both its day-to-day operations and future plans, it is important, however, given that its funds are generated from taxation/public levies, that such reserves are not excessive.

### 2) Types of reserves

Reserves can be categorised as general, earmarked or restricted (CIL):

#### General Reserves

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.

#### Earmarked Reserves

Earmarked reserves can be used to cover items such as: Renewals – to enable services to plan and finance an effective programme of vehicle and 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.

#### Restricted Reserves – CIL

Neighbourhood CIL is passed to parish or town councils by ESDC where development is taking place. There are separate rules governing the holding and use of CIL funding.

### 3) Bredfield Parish Council General Reserves

Bredfield Parish Council the general reserve has two elements:

a) The Contingency Reserve

The generally accepted recommendation with regard to the appropriate minimum level of a Smaller Authority's Contingency Reserve is that this should be maintained at between three (3) and twelve (12) months Net Revenue Expenditure (NRE).

For Bredfield Parish Council the NRE is effectively the Precept.

Given the small amounts of money involved Bredfield Parish Council have a policy of holding 9 months Precept as a Contingency Reserve.

Changes to the Contingency Reserve are made at the end of each financial year in line with the setting of the Precept for the following year.

b) The General Reserve

A working reserve consisting of the accumulated surplus / deficits from previous years which is kept to a minimum as for each year we attempt to balance the budget.

### 4) Earmarked Reserves

Bredfield Parish Council hold a designated reserve for asset maintenance details of which are reviewed as part of the budget setting process.

### 5) Review

The reserves will be reviewed by the Council as part of the annual budgeting process. The Responsible Financial Officer will maintain a detailed schedule of all reserves.

Agreed 29<sup>th</sup> September 2025

Next Review September 2028