

Kingsley Parish Council

Kingsley Parish Council
The Boardroom
Kingsley Cemetery
Hollow Lane
Kingsley
Cheshire
WA6 8EF

www.kingsleyparishcouncil.org.uk
parish.clerk@kingsleyparishcouncil.org.uk

Reserves Policy **Adopted by Kingsley Parish Council on 11.3.25**

1. Introduction

Kingsley Parish Council is committed to maintaining adequate financial reserves to meet its strategic and operational needs. This policy outlines the framework for determining, maintaining, and reviewing the level of reserves, ensuring the Council's financial stability and its ability to deliver services effectively and sustainably.

This policy is established in accordance with Sections 32 and 43 of the Local Government Finance Act 1992, which requires local authorities to consider the level of reserves needed for estimated future expenditure when setting the budget requirement. While there is no statutory minimum level of reserves, this policy aims to ensure that Kingsley Parish Council acts prudently and responsibly in managing public funds. This policy also takes into account the principles and guidance outlined in the Practitioners' Guide (issued by the previously known Joint Panel on Accountability and Governance (JPAG), and since rebranded as the Smaller Authorities Proper Practices Panel (SAPPP). The Responsible Financial Officer (RFO) is responsible for advising the Council on the appropriate level of reserves and for establishing procedures for their management and use.

2. Objective of this Policy

- To ensure the Council's financial stability and sustainability.
- To provide a buffer against unexpected financial risks and emergencies.
- To fund planned future expenditure and projects.
- To demonstrate responsible financial management to resident San stakeholders.
- To comply with relevant legislation and best practices.

3. Types of Reserves

The Council may hold reserves categorised as 'general' or 'earmarked'.

4. General Reserves

General Reserves represent unrestricted funds available for any legitimate Council purpose. They serve as a financial buffer to mitigate unforeseen circumstances, manage cash flow variations, offset budget deficits (if necessary), or address unanticipated expenditure.

Recognising the critical role of General Reserves in ensuring financial resilience, and considering advice from the SAPPP, the Council aims to maintain a minimum balance

equivalent to 50% of the Council's annual expenditure. The Council will, at all times, hold no less than twenty-five percent of annual expenditure. This higher target reflects the Council's commitment to prudent financial management and its capacity to respond effectively to unexpected challenges.

5. Earmarked Reserves

Earmarked Reserves are designated for specific purposes, projects, or liabilities. These reserves provide transparency and accountability in the allocation of funds for defined objectives.

Earmarked reserves may include:

- Renewals – to fund planned equipment replacement programs and property maintenance, ensuring the long-term upkeep of Council assets.
- Carry forward of underspend – to allocate funds committed to specific projects or initiatives that were not fully expended within the original budget year.
- Developers Contributions – to manage funds received from developers that are legally restricted to specific purposes, such as infrastructure improvements or community amenities, in accordance with Section 106 agreements or Community Infrastructure Levy (CIL) regulations.
- Specific Project Reserves: to accumulate funds for planned capital projects, such as park improvements, building renovations, or infrastructure upgrades.

All decisions to establish, amend, or discontinue Earmarked Reserves will be made by the Council. The RFO will provide recommendations to the Council as part of the annual budget process, including a detailed report outlining the purpose, funding sources, and anticipated expenditure for each reserve.

If an Earmarked Reserve's original purpose becomes obsolete or if there is an excess of funds, the Council may, upon the RFO's recommendation, reallocate the funds to other budget headings, General Reserves, or other Earmarked Reserves, provided that such reallocation complies with all relevant legal and regulatory requirements.

6. Risk Management and Insurance Implications

Inadequate reserves can expose Kingsley Parish Council to significant financial risks, particularly in situations requiring immediate action. A crucial area of concern is the potential impact on the Council's insurance coverage.

- **Uninsured Losses:** without sufficient reserves, the Council may struggle to cover the costs associated with uninsured losses, such as damage to property or equipment resulting from unforeseen events.
- **Policy Compliance:** many insurance policies require the Council to demonstrate proactive risk management and adequate financial resources to address potential claims. Failure to maintain sufficient reserves could be interpreted as a lack of due diligence, potentially jeopardising the Council's coverage.
- **Emergency Repairs:** inadequate reserves may delay critical repairs to Council assets, increasing the risk of further damage, liability claims, and disruption of services. This is especially critical for assets like playgrounds, cemeteries, and public spaces where safety is paramount.

- **Legal and Regulatory Compliance:** certain statutory obligations may require the Council to undertake immediate remedial works, and a lack of readily available funds could lead to breaches of legal or regulatory requirements.

To mitigate these risks, the Council will:

- Regularly assess its insurance coverage and ensure it adequately reflects the Council's risk profile and potential liabilities.
- Maintain a detailed risk register that identifies potential hazards and outlines mitigation strategies.
- Ensure that insurance policies are reviewed annually to confirm they are still appropriate for the council's needs.
- Additionally, the Council will ensure that any decisions regarding the level of reserves take into account potential future liabilities and risks, as identified in the Council's risk assessment.

7. Investment of Reserves

The Council will manage its reserves prudently, seeking to maximise returns while ensuring the security and accessibility of funds. Investment decisions will be guided by the Council's Investment Strategy, which will be reviewed annually.

8. Monitoring and Review

The RFO will regularly monitor the level of reserves and provide updates to the Council on a no less than quarterly basis. This policy will be reviewed regularly to ensure its continued relevance and effectiveness. The review will consider:

- Changes in legislation or regulations
- The Council's financial performance
- Emerging risks and opportunities
- Best practices in reserves management