**Reserves Policy**

**Introduction**

Upper Beeding Parish Council (UBPC) maintains adequate financial reserves to meet the needs of its business and ensure financial security.

**Legal Requirements**

The Joint Panel on Accountability and Governance Practitioners Guide (JPAG), (March 2021 edition) advises on reserves as follows:

*Reserves:*

*5.31. As with any financial entity, it is essential that authorities 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.*

**General Reserves**

General Reserves do not have restrictions as to their use and can be used in the case of unexpected events or emergencies.

Considering the JPAG recommendations, UBPC aim to maintain a general reserve of 4 months operating costs (in the region of £75,000).

JPAG advises:

*5.32. General Reserve — 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 (3) and twelve (12) months Net Revenue Expenditure (NRE). NRE (subject to any planned surplus or deficit) is effectively Precept\Levy less any Loan Repayment and/or amounts included in Precept\Levy for Capital Projects and transfers to Earmarked Reserves. The reason for the wide range (3 to 12 months) is to cater for the large variation in sizes of individual authorities. The smaller the authority the closer the figure should be to 12 months NRE, the larger the authority the nearer to 3 months. In practice, any authority with an NRE in excess of £200,000 should plan on 3 months equivalent General Reserve.*

*In all of this it is important that each authority adopt, as a General Reserve policy, the level appropriate to their size and situation and plan their Budget so as to ensure that the adopted level is maintained. Changes in activity levels/range of services provided will inevitably lead to changes in the requisite minimum level of General Reserve in order to provide working capital for those activities.*

**Earmarked Reserves**

Earmarked Reserves are held to enable the Council to build up sufficient funds to meet its capital expenditure programme and can generally include replacement or new play equipment and/or sports facilities or any other capital project as identified in the business plan.

An Earmarked Reserve can be transferred to General Reserves or another Earmarked Reserve if approved by UBPC at a properly convened meeting.

JPAG advises:

*5.33. Earmarked and Other Reserves — None of the above in any way affects the level of Earmarked and/or Capital Receipts Reserves (EMR/CRRs) that an authority may or should hold. There is, in practice, no upper or lower limit to EMR/CRRs save only that they must be held for genuine and intended purposes, and their level should be subject to regular review and justification (at least annually) and should be separately identified and enumerated. Significant levels of EMRs in particular may give rise to enquiries from Internal and/or External Auditors.*

**Review**

This policy will be reviewed annually to ensure it fully complies with the Council’s requirements.

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Next Review: February 2023