



RESERVES POLICY

1. PURPOSE

- 1.1. The purpose of this policy is to set out how the council will determine and review the level of reserves.
- 1.2. The Parish Council is required to maintain adequate financial reserves to meet the needs of the organisation but has no legal powers to hold reserves other than those for reasonable working capital needs or for specifically earmarked purposes.
- 1.3. As part of the year-end Annual Return, whenever the total of the council's reserves is more than 115% of the non-ringfenced expenditure, the council is requested to provide an explanation of the high level of reserves to an External Auditor.
- 1.4. Reserves can be used for long-term planned or exceptional (unbudgeted or higher than expected) expenditure but not if the expenditure is recurring.

2. TYPE OF RESERVES

Reserves can be categorised as:

- Ring-fenced
- General

3. RINGFENCED (OR 'EARMARKED') RESERVES

- 3.1. Ringfenced reserves are a means of building up funds over several years to deliver a defined/ specific project, for known significant expenditure. They are not to be used for emergency operations.
- 3.2. Ringfenced reserves must be reviewed and/or established by the council during the annual budget setting process. **Every ringfenced reserve proposal must include reasonable costing for each project and an estimated timescale.**
- 3.3. Any changes to the proposed use of reserves must be agreed by full council.

- 3.4. Ringfenced reserves can be held to carry forward 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.
- 3.5. An example of this type of reserve is to invest in the replacement of play equipment within the parish councils' open spaces.

4. GENERAL RESERVES

- 4.1. General reserves are funds which do not have any restrictions placed upon them as to their use. These can be held in case of unexpected events or emergencies.
- 4.2. The Parish Council considers a prudent level of general reserves to be around 50-75% of its non-ringfenced annual expenditure. However, general reserves should be risk assessed annually and approved by the council.
- 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 ringfenced reserves to provide short-term resources.
- 4.4. Funds remaining from unspent precept that can be reserved for future needs such as:
- Replacement of vandalised equipment within the parish, where not covered by an insurance claim.
 - Improvements to open spaces or allotments (fencing/gates etc.).
 - Special events in the future (e.g., memorials).
 - Community development
- 4.5. The Council could choose to convert these into ringfenced reserves.