RESERVES POLICY

Introduction
Stradbroke 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 Parish 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. 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 advice the Parish Council about the level of reserves and to ensure that there are procedures for their establishment and use.

Types of Reserves
Reserves can be categorised as general or earmarked.

Earmarked Reserves can be held for several reasons:
- Renewals – to enable the Parish Council to plan and finance an effective programme of 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.
- Carry forward of underspend – if the Council commits expenditure to projects, but cannot spend the budget in year. Reserves are used as a mechanism to carry forward these resources.
- Insurance reserve – to enable the Council to meet the excesses of claims not covered by insurance.
- Other earmarked reserves may be set up from time to time to meet known or predicted liabilities.
- Restricted – used purely for a set reason, cannot be transferred to other uses.
- 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 will be established on a “needs” basis, in line with anticipated requirements.

Any decision to set up a reserve must be made by the Council.

Expenditure from reserves can only be authorised by the Council.

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.

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.

Reviewing the Parish Council's 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.

Within the earmarked reserves are some restricted funds; these are funds that can only be spent on a specific project or type of expenditure. Examples of this would be Locality Grants received from District & County Councillors and Community Infrastructure Levy.

General Reserves

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.

Setting the level of general reserves is one of the several related decisions in the formulation of the medium term financial strategy and the annual budget. The Parish Council must build and maintain sufficient working balances to cover the key risks it faces, as expressed in its risk assessment.

If in extreme circumstances general reserves are exhausted due to major unforeseen spending pressures within a particular financial year, the Parish Council would be able to draw down from its earmarked reserves to provide short term resources.

Even at time when extreme pressure is put on the Parish Council's finances, the Parish Council must keep a minimum balance sufficient to pay one month's salaries to staff in general reserves at all times.

Current level of reserves

Following a comment in the Internal Audit Report 2017/18 regarding the low level of general reserves, the Parish Council has gradually increased the general reserves figure and this now sits at a level equal to 9 – 12 months of expenditure. This expenditure level excludes costs related to the Health Centre which are financed by the income from the rent received ~~and other forms~~. Also excluded are other forms of expenditure, such as CIL projects, which are self-funded.

The current reserves schedule is reviewed and approved quarterly by the Finance & Premises Committee and is presented to the Parish Council with virements (transfers in or out) clearly marked for approval as part of the year-end financial documents. The approval of virements is minuted at the relevant meeting.

~~The final reserves figures are approved at the year end.~~

Approved by	Full Council
Date	8th December 2025
Reviewed by	Finance & Premises Committee
Next review	Yearly – before annual meeting