

Hartpury Parish Council

Reserves Policy

Introduction

This Policy was adopted by Hartpury Parish Council at the meeting held on the 3rd January 2022 and reviewed on the 4th May 2026

Hartpury Parish Council is required to maintain adequate Financial Reserves to meet the needs of the Parish Council.

The purpose of this policy is to set out how the Council will determine and review the level of Reserves.

The legal context of reserves are within Sections 32 and 43 of the Local Government Finance Act 1992, these laws 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 Clerk/RFO to advise the Council about the level of Reserves and to ensure that there are procedures for their establishment and use.

Types of Reserves

General Reserves

General Reserves are funds which do not have any restrictions on their use.

They cushion the impact of uneven cash flows, offset budget requirements, if necessary, or can be held in case of unexpected events or emergencies.

Setting the level of General Reserves is agreed with the Annual Budget. The Parish Council considers a prudent level of general reserves to be the equivalent of 12 months' annual expenditure / precept.

If in extreme circumstances general reserves were 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 times when extreme pressure is put on the Parish Council's finances, the Council must keep a minimum balance in its general reserves equal to 3 to 12 months of expenditure (nearer to 12 for smaller Parish Councils).

Agreement from full Council is required to move funds from the general reserves.

Earmarked Reserves

Earmarked reserves can be held for several reasons:

- Renewals – to enable services to plan and finance an effective programme of vehicle, 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 - some services commit 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.

Earmarked reserves will be established on a “needs” basis, in line with anticipated requirements.

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.

Management of Reserves

Approval for the creation, amendment, cessation or continuation of Earmarked Reserves will be given by the full Parish Council.

The use of Reserves shall be approved by the Parish Council.

Earmarked Reserves shall be reviewed on an individual basis. This review will also be undertaken as part of the Annual Budgetary Review.

The level of General Reserves shall be reviewed on an annual basis during the annual budgetary review and agreed by the Parish Council. The minimum level of General Reserves shall be recommended to the Parish Council by the Responsible Financial Officer. This will form part of the recommendations for the Annual Budget and Precept request by the Parish Council.

The current level of General Reserves to be held by the Council is set at equal to 12months of predicted expenditure / precept.

The current level of Earmarked Reserves to be held by the Council is set at a reasonable level for anticipated requirements.

Full details on the Parish Council's Accounts and Reserves will be available on the Parish Council Website and from the Clerk.