

STONELEIGH AND ASHOW JOINT PARISH COUNCIL

POLICY STATEMENT – Reserves Policy

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

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.

Reserves can be used for long term planned or exceptional (unbudgeted or higher than expected) expenditure on the following conditions:

- The expenditure must not be recurring
- Income in reserves from the sale of fixed assets ('capital receipts') such as the sale of land, can only be used for capital projects, such as the acquisition and enhancement of land, building, vehicles, plant and equipment.

Budget allocations can be moved from one budget line to another during the course of a financial year, with approval from the Council, so long as the total expenditure for the financial year is not exceeded.

Reserves can be categorised as earmarked, ring fenced or general.

Earmarked Reserves

Earmarked reserves are a means of building up funds over several years to deliver a defined project, predicted liabilities or for known significant expenditure. They are not to be used for emergency operations.

Earmarked reserves must be reviewed and/or established by the Council at the annual budget setting meeting.

Any changes to the proposed use of reserves must be agreed by Council.

The RFO will note earmarked reserves movements at the end of the financial year.

Ring Fenced Reserves

Ring fenced reserves are money or grants allocated for a specific project only.

General Reserves

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.

The Parish Council considers a prudent level of general reserves to be no more than 12 months of its annual expenditure.

Special Circumstances

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 earmarked reserves to provide short term resources.

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

All reserves will be reviewed at least annually by the Parish Council.

This policy was adopted by the Stoneleigh and Ashow Parish Council on 9th February 2023.

It will be reviewed on an annual basis.