

Benenden Parish Council
Reserves Policy

1. Introduction

Benenden Parish Council is required to maintain financial reserves sufficient to meet the needs of the day-to-day operations of the organisation and future plans. The purpose of this policy is to set out how Benenden Parish Council will determine and review the level of reserves.

Legislation does not specify the level of reserves that an authority should hold, and it is the responsibility of the Benenden Parish Council's Responsible Financial Officer and Resourcing Committee to review the Parish Council's reserves and to follow current best practice.

Reserves fall into two categories – general or earmarked.

2. General Reserves

These are funds which do not have any restrictions (ringfenced or earmarked) to their use. These reserves can be used to smooth the impact of uneven cash flow, offset budget requirements if necessary or can be held in case of unexpected events or emergencies. The Parish Council must build and maintain sufficient working balances to cover the key risks it faces.

The primary means of building General Reserves will be through a reallocation of funds (underspend on projects) and 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.

If, in extreme circumstances, General Reserves were exhausted due to major unforeseen spending pressures within a particular financial year, Benenden Parish Council would be able to draw down from its Earmarked Reserves to provide short term resources. The General Reserve will be replenished as part of the budget process in any year where it has been utilised for unexpected/emergency expenditure.

The General Reserve figure will be reviewed and confirmed, at least annually, as part of Benenden Parish Council's budget setting process and based on figures published in the Parish Council's previous year end accounts.

The current recommended level of General Reserves is between 3 and 12 months' of predicted expenditure.

Benenden Parish Council will endeavour to maintain a minimum of 3 months and a maximum of 12 months as its General Reserves.

3. Earmarked Reserves

The Parish Council may establish ringfenced/earmarked reserves for any reason where it reasonably believes it may incur expenditure in the future. These can be held for several reasons. The money is held for specific items of expenditure to meet known or predicted liabilities or projects. Earmarked Reserves can be used to 'smooth' the effects of certain expenditure commitments over a period of time, thereby reducing the impact of significant expenditure in any one year.

Typically, Earmarked Reserves are held for the following reasons:

- Renewals eg equipment, planned maintenance
- To carry forward an underspend where expenditure has been committed to a particular project that cannot be spent in year
- To enable the Parish Council to meet the excess of claims not covered by insurance
- To indicate commitment to a capital project
- To meet known or predicted liabilities

Earmarked Reserves will be established on a needs basis, in line with anticipated requirements, and must be held for a genuine and intended purpose. Any decision to set up a reserve must be approved by the Parish Council. Expenditure from reserves can only be authorised by the Parish Council.

Earmarked Reserves will be separately identified during budget setting and enumerated, and subject to annual review and justification.

If earmarked reserves are not used for the authorised purpose within 3 years they will be returned to the General Reserve, in order to avoid the build-up of unused resources which should be released for general use.

4. Management of Reserves

The level of financial reserves held by the Parish Council will be recommended by Benenden Parish Council's Resourcing Committee during the discussions held regarding the setting of the budget for the next financial year and agreed by the Parish Council.

The Parish Council has a responsibility to wisely invest reserves and surplus funds which are not immediately required to meet expenditure. Surplus funds are currently held in an interest-earning savings account.

This policy will be reviewed on an annual basis to ensure levels remain appropriate as any changes in activity levels / range of services provided will lead to changes in the requisite minimum of General Reserves.

This Policy was agreed by Benenden Parish Council Resourcing Committee on 23rd June 2025
Adopted by Benenden Parish Council July 2025
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