

Reserves Policy

Introduction

Moretonhampstead 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 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.

There is no specified minimum level of reserves that a local council must hold; it is the responsibility of the Responsible Financial Officer (RFO) to advise the Council on the level of reserves and to ensure there are sound procedures for their establishment and use.

Types of Reserves

Reserves are categorised as general or earmarked.

Earmarked reserves are held for specific purposes, such as:

- Renewals: To fund replacement of vehicles, equipment, infrastructure, and planned property maintenance, ensuring stable budgeting.
- Carry-forward of underspend: To hold funds allocated for projects that could not be completed within the financial year.
- Insurance reserve: To cover excesses for claims not fully insured.
- Other earmarked reserves: For anticipated or known future liabilities.

General Reserves are funds without specific restrictions. They may be used to:

- Manage uneven cash flows;
- Offset budget shortfalls if necessary; or
- Provide a contingency in case of unexpected events or emergencies.

Earmarked Reserves - Management

- Earmarked reserves are established on a needs basis, in line with anticipated requirements.
- Any decision to create or use a reserve must be made by formal resolution of the Council.
- The purpose of each earmarked reserve must be clearly documented.
- Reserves should **not** be used to fund ongoing operational expenditure, as this would be unsustainable.
- If earmarked reserves are used to cover short-term funding gaps, they must **be** replenished in the following financial year.
- Once an earmarked reserve has served its purpose, it does not need to be replenished.
- All earmarked reserves are recorded on a central schedule held by the RFO, listing the reserve name, purpose, and balance.

Reviewing the Council's Risk Assessment forms part of the budgeting and year-end accounting process and helps determine the appropriate level of reserves.

General Reserves

The level of General Reserves is a matter of judgement and risk management. This policy therefore does not prescribe a fixed sum.

- The primary means of building General Reserves is through annual budget allocation, in addition to any replenishment required for reserves used in the previous year.
- When setting the budget and medium-term financial plan, the Council must maintain sufficient working balances to cover key risks, as identified in its financial risk assessment.
- In exceptional circumstances, where General Reserves are depleted due to unforeseen expenditure, the Council may draw on earmarked reserves to provide temporary support.
- The Council must, at all times, maintain a minimum General Reserve equivalent to at least one month's staff salaries.

Current level of financial reserves

The level of financial reserves will be agreed annually by the Parish Council during the budget-setting process.

The Council's General Reserve should be maintained at four twelfths (one-third) of the annual precept, ensuring stability and covering approximately four months of operational costs. This approach is based on the precept figure rather than actual expenditure, providing a consistent and predictable reserve target.

| Reserve Category | Purpose / Notes | Amount (£) |
|-------------------------------------|---|---------------|
| General Reserve | 4 months' running costs (based on precept £70,102 for FY 2026/27) | 23,367 |
| Office Equipment Replacement | To fund IT/equipment upgrades | 500 |
| Cemetery | Future maintenance / improvements | 5,000 |
| Open Spaces Repairs | For urgent works or damage repair | 1,000 |
| Play Equipment Repairs | Maintenance and safety upgrades | 5,000 |
| Election Costs | £400 allocated annually | 1200 |
| Emergency Staffing Costs | Cover for unexpected absences | 1,000 |
| War Memorial Maintenance | Repairs and cleaning | 2,000 |
| Discretionary Small Grants | To support local groups | 700 |
| Churchyard Restoration | Reserved for specific works | 5,780 |
| Allotments | Maintenance covered by unspent rents | 0 |
| Public Toilets | Purchase / Running Costs | 7,500 |

The above levels of reserves were agreed and this document adopted by the Parish Council at the meeting on the 2nd of December 2025, to be reviewed again in a year's time when setting the budget for the financial year 2026/27.

Chairman *Clr Fileman-Wright* Date 02/12/2025

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