STISTED PARISH COUNCIL

General Reserves Policy

Adopted: **April 2024**

Date Reviewed: **8 July 2026**

Next Review Date: **June 2027**

1. Introduction

Stisted Parish Council is required to keep sufficient Financial Reserves to meet the needs of its operations and to ensure financial security.

This policy sets out the guidelines for the Parish Council to determine and review the level of reserves.

The Joint Panel on Accountability and Governance Practitioners Guide (JPAG) (March 2023 edition) advises:

> *5.30. As with any financial entity, it is essential that authorities have sufficient reserves (general and earmarked) to finance both their day-to-day operations and future plans.*
>
> *5.31. Smaller authorities have no specific right to accumulate funds via the precept. All reserves should be reviewed and justified regularly (i.e. at least annually). It is good practice to transparently publish both the level and rationale of all reserves.*
>
> *5.32 The general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances.*
>
> *5.33. The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure.*
>
> *5.34. The reason for the wide range is to cater for the large variation in activity level between individual authorities. The smaller the authority, the closer the figure may be to 12 months*

2. Types of Reserves

These can be categorised as either General or Specific (Ear Marked).

2.1 General Reserves are unrestricted funds that the council can use in the event of unexpected events or emergencies. Setting the level of General Reserves is agreed with the Annual Budget. These amounts can be built up through underspend on projects or transfers of unused amounts from Ear Marked reserves

2.2 Earmarked Reserves are for genuine and intended purposes and their level should be subject to annual review and justification. These are handled separately as they can only be spent for specific purposes and may need the granting authority to give approval if any amounts are to be transferred back to General. Where the full amount is not used in a financial year, the balance can carry forward as an opening balance to the next year if required. Typical Earmarked reserves include

- Street Cleaning funds as supplied by BDC
- Projects
- Election Costs

EMRs will be established on a "needs" basis in line with anticipated requirements and will be reviewed annually at budget setting and approval. Any decision to set up an EMR must be approved by Parish Council. If the EMRs are used to meet short term funding gaps, they must be replenished in the following financial year. However, EMRs which have been used to meet their specific purpose do not need to be replenished.

3. Management and Control of Reserves

Movements in Earmarked Reserves and General Reserves is to be reported to the Parish Council as part of the Finance Update by the RFO at monthly meetings if required.

Any use or replenishing of Reserves will be approved by the Parish Council.

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 will be set at between three and six months of predicted expenditure. Whilst smaller councils who hold properties such as Village Halls or Allotments may have higher levels of Reserves due to unexpected maintenance; Stisted Parish Council has less call for maintenance other than The Playing Fields and Pavilion, so the level is not set as high as 12 months.

JPAG further states that *"None of the above in any way affects the level of earmarked and/or capital receipts reserves that an authority may or should hold. There is, in practice, no upper or lower limit to EMR save only that they must be held for genuine and identifiable purposes and projects, and their level should be subject to regular review and justification"*