

TOLLESHUNT D'ARCY PARISH COUNCIL

RESERVES POLICY V2.0

Introduction

Tolleshunt D'Arcy Parish Council is required to maintain adequate financial reserves to meet the organisation's needs. The purpose of this policy is to set out how the Council will determine and review the level of reserves.

Section 50 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.

It is the responsibility of the Responsible Financial Officer to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use.

Types of Reserves

Reserves can be categorised as General or Earmarked.

General Reserves are held for the following reason:

- 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.

Earmarked Reserves are held for the following reason:

- Renewals – to enable the Council to plan and finance any agreed projects/expenditure. These reserves are a mechanism to smooth expenditure so that a sensible replacement can be achieved without the need to significantly vary budgets year on year.
- Community Projects that are supported by the Parish Council and require funding in line with the Action Plan.
- Carry forward of underspend – expenditure committed to projects, but not spent in the year. Reserves are used as a mechanism to carry forward these resources.
- To meet known or predicted liabilities, for instance to meet the excesses not covered by insurance.

Use of Reserves

Councils have no legal powers to hold revenue other than those for reasonable capital needs or for specifically earmarked purposes.

Reserves should not be used to fund ongoing 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. Earmarked reserves used to meet specific liabilities do not need to be replenished, having served their purpose.

The Council reviews its Financial Risk Assessment each year as part of the budgeting and year-end accounting procedures. Account is to be taken of the RFO's report on the strategic, operational and financial risks facing the Council.

The requirement of the level of the general fund balance for the forthcoming year will therefore be based upon a risk assessment of the Council’s main areas of income and expenditure and consider any provisions and contingencies that may be required in light of prevailing circumstances nationally and locally.

The annual assessment thereby confirms an appropriate level of reserve. Any decision to set up a new reserve must be made by the Council.

General Reserves

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.

Earmarked Reserves

Established on a “needs basis”, in line with anticipated requirements.

Earmarked Reserves are recorded on a schedule held by the RFO presented to the Council as part of the Monthly Financial Report.

Current level of financial reserves

There is no specific recommended figure but parish councils are advised in the latest Practitioners Guide published by the SLCC to maintain General Reserves between 3 and 12 months of their net revenue expenditure – smaller councils should hold more than larger ones.

Even at times when extreme pressure is put on the Council’s finances, the Council must keep a minimum balance sufficient to cover 3 month’s salaries to staff.

All virements of funds must be agreed by full Council.

The advised level of total reserve is the annual income figure, to fully cover a years expenditure, but can be varied.

Policy Adopted: July 2019

Last Review: May 2026

Next Review: May 2027

Policy Review History

Version	Details of Changes	Date	Approver
V1.0	Adopted	28/07/2019	TDPC
V1.0	Reviewed – no changes	10/05/2022	TDPC
V1.0	Reviewed – no changes	17/05/2023	TDPC
V1.0	Reviewed – no changes	14/05/2024	TDPC
V1.0	Reviewed – no changes	13/05/2025	TDPC
V2.0	Reviewed and updated	12/05/2026	TDPC
	Next Review May 2027		

