

Creech St Michael Parish Council

A Parish to be *Proud of*

Creech St Michael Parish Council

Policy Title	Reserves Policy
Applies to	All members and Employees
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Minute Reference	13.
Author	Clerk and RFO
Review Cycle	Annual
Review Dates	



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1.0 Introduction

Creech St Michael Parish Council maintains a level of reserves that acts as mitigation against the risk of a significant loss or shortfall in income that allows the Parish Council to continue to function for a period of three months. In addition to this, there are reserves held for other purposes and this policy sets out how the Parish Council will manage these reserves.

The Joint Panel on Accountability & Governance Practitioners Guide (JPAG) March 2023 states that it “important that each authority adopt, as a general reserve policy, the level appropriate to their size, situation, risks and plan their budget so as to ensure that the adopted level is maintained. Consideration of the minimum level of reserves requires not only consideration of level of income and expenditure but also the risks to that income.”

2.0 Categorisation of Reserves

Reserves held by the Parish Council may be categorised as either ‘general’ or ‘earmarked’.

2.1 General Reserves

General reserves are funds which do not have any restrictions on their use. They are intended to cushion the impact of uneven cash flows, offset budget requirements if necessary or can be held in case of unexpected events or emergencies. Setting the level of the general reserves is agreed as part of the annual budget process.

The primary means of building general reserves will be through a reallocation of funds (underspend on a projects) and allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves which have been spent in the previous year. Any surplus achieved in the general reserve at the end of the year, will be reallocated to the Earmarked Reserves category.

If in extreme circumstances, general reserves are exhausted due to major unforeseen spending pressures within a particular financial year, the Parish Council would be able to draw down from its earmarked reserves to provide short term support for General Reserves.

2.2 Earmarked Reserves

Earmarked reserves must be held for genuine and intended purposes of expenditure which the Parish Council considers likely to be required in the future and greater than that which can be funded from a single year’s budget. Their level should be subject to annual review and justification. They should be separately identified and significant levels of Earmarked Reserves, in particular, may give rise to enquiries from internal and/or external auditors.

Typically, earmarked reserves are held for the reason of renewal or repair of equipment or property, to fund a project or because they are funds that have additional constraints imposed upon them.

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- Renewals and Repairs – to enable the planning and financing of an effective programme of equipment replacement and property maintenance or refurbishment. The funds required are built up incrementally over several years when taking in to account asset conditions and expected life or are subject to grant funding. They are a mechanism to smooth expenditure without the need to vary budgets.
- Carry forward underspend on an uncompleted project – expenditure committed to a project but not spent in the budget year. Reserves can be used as a mechanism to carry forward those resources.
- Grant funding – funds allocated to a specific project that are either or partly sourced from external grant funding providers.
- Developers' contributions (Section 106 and Community Infrastructure Levy (CIL)) – proceeds from developers which can only be used for specific purposes.
- Other earmarked reserves – these may be set up from time to time to meet known or predicted liabilities.

Where the purpose of an earmarked reserve becomes obsolete, or where there is an over-provision of funds, the excess may, on the approval of the Parish Council, be transferred to other budget headings within the revenue budget, to general reserves or other earmarked reserves.

EMRs will be established on a 'needs' basis in line with anticipated expenditure and these are to be reviewed annually and agreed by the Parish Council as part of the budget process.

Any decision to set up an earmarked reserve must be approved by the Parish Council. If the earmarked reserve is used to meet short term funding gaps, this must be replenished in the following financial year. Earmarked reserves which have been used to meet a specific liability, would not need to be replenished after having served the purpose for which they were intended.

3.0 Management and Control of Reserves

Movements in earmarked and general reserves shall be reported to the Parish Council Finance Committee. The use of reserves shall be approved by the Parish Council.

The level of general reserves shall be reviewed on an annual basis during the annual budget process and agreed by the Parish Council. Earmarked reserves shall be reviewed on an individual basis. This review will also be undertaken as part of the annual budgeting process. The approval for the creation, amendment, cessation or continuation of earmarked reserves will be given by the Parish Council.

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4.0 Current Level of Reserves

4.1 General Reserves

Purpose	Amount
Operating Reserve	£20,000.00
Other Reserves	£13,969.14

4.2 Earmarked Reserves

Purpose	Amount
Recreation Park Play Equipment Repairs	£5,000.00
Party in the Park	£11,865.55
Planning Support	£7,000.00
Recreation Park Improvements (Security & Signage)	£4,500.00
Community Development Fund	£3,000.00
Capital Expenditure (Mower)	£8,500.00
VAT Liability Cover	£15,000.00
23/24 Commitments	£9,081.74
Community Infrastructure Levy (CIL) Funds (to be expended by 31.03.2025)	£2,116.51