

MARSTON SICCA PARISH COUNCIL

RESERVES POLICY 2024/25

1. Introduction

Marston Sicca Parish Council is required to maintain adequate Financial Reserves to meet the needs of its operations and to ensure financial security. 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. However, there is no specific minimum level of reserves which an authority should hold, and it is the responsibility of the Responsible Financial Officer (RFO) to advise the Parish Council about the level of reserves and to ensure that there are procedures for their establishment and use.

The review and setting of all Reserves form part of the annual budget process.

2. Definitions

Key terms used:

- General Reserves – are funds which do not have any restrictions on their use and is the amount of money available for expected payments during the financial year.
- Earmarked Reserves (EMR's) are funds held and recorded for a specific/intended use.
 - (i) Renewals – to enable the planning and financing of an effective programme of equipment replacement and property maintenance/refurbishment. The funds required can be built up incrementally over several years when taking into account asset conditions and asset life. They are a mechanism to smooth expenditure without the need to vary budgets.
 - (ii) Carry forward of underspend on an ongoing 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.
- Contingency Reserves – is an amount of money retained for use in an emergency or to cover any unforeseen expenditure.

3. Principles

The establishment and use of reserves for Marston Sicca Parish Council will adhere to the following fundamental principles. These principles help ensure responsible financial management and maintain transparency and accountability as follows:

- a) Prudent Financial Management: Reserves will be established and managed prudently to safeguard the financial stability of the council. They will be used to mitigate financial risk and ensure the council can continue to provide essential services.

b) Transparency: All decisions related to the setting-up, funding, and use of reserves are to be transparent and clearly documented. Any movements in Earmarked Reserves and General Reserves shall be reported to the Parish Council as part of the quarterly Budget vs. Actual Report and at each Parish Council meeting if required. The use of reserves shall be approved by the Parish Council.

c) Compliance with Legal Requirements: Reserves should comply with all relevant legal and regulatory requirements.

d) Conservative Budgeting: Reserves should not be used as a substitute for responsible budgeting. Reserves will have either a specific purpose or be designated for a particular use.

Reserve Levels

General reserves will maintain between 50% to 100% if annual precept.

Earmarked reserves will be calculated according to specific projects either ongoing or planned for the Parish. the Earmarked reserves will be clearly identified.

Contingency reserves will not exceed 50% of the precept.

Funding reserves that emanate from CIL or from funds that exceed budgeted income (financial gain), will be noted in a separate schedule.

Reserves will be included in all financial reporting at parish council meetings.

July 2024