



REYDON PARISH COUNCIL

GENERAL RESERVES POLICY

Introduction

Reydon 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.

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

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. Smaller authorities have no specific right to accumulate funds via the precept. All reserves should be reviewed and justified regularly (at least annually). It is good practice to transparently publish both the level and rationale of all reserves.

Categories of Reserves

Reserves fall in to two main categories – General and Earmarked.

General Reserves: These are funds that do not have any restrictions to their use. These reserves can be used to smoot the impact of uneven cash flows, offset budget requirements if necessary, or can be held in case of unexpected events or emergencies.

JPAG advises that: *The generally accepted recommendation with regard to the appropriate minimum level of a Smaller Authority's General Reserves is that this should be maintained at between three and twelve months Net Revenue Expenditure. The smaller the authority the closer the figure may be to twelve months. In all of this, it is important that each authority adopt, as a general reserves policy, the level appropriate to their size, situation, risks, and plan their budget so as to ensure that the adopted level is maintained.*

The primary means of building General Reserves will be through a reallocation of funds (underspend on 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. If in extreme circumstances General Reserves were 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 resources.

Earmarked Reserves: These must be held for specific items of expenditure and their level should be subject to annual review and justification. They should be separately identified to prevent queries at audit time.

ERMs are held for several reasons and Reydon Parish Council currently has several Earmarked Reserves for specific purposes. These ERMs should only be used for those specific purposes. Expenditure can only be authorised by the Council.

Management of Reserves

The level of financial reserves held by the Council are agreed by the Parish Council during the discussions held regarding the setting of the budget for the next financial year.

The current level of General Reserves to be held by Reydon Parish Council is set at equal to between nine and twelve months of predicted expenditure. Earmarked Reserves shall be reviewed on an individual basis. This review will also be undertaken as part of the Annual Budgetary Review. Approval for the creation, amendment, cessation or Earmarked Reserves will be given by the Parish Council.

Adoption Date: 23rd May 2024

Reviewed May 2025