

Harthill with Woodall Parish Council

Reserves Policy

Purpose of the Reserves Policy

The Parish Council is required to maintain adequate financial reserves to meet foreseeable needs and commitments, and also to have money available in the event of an emergency or a delay in the receipt of the Annual Precept payment. The purpose of this policy is to set out how Harthill with Woodall Parish Council will determine and review the level of reserves it holds. Sections 32 and 43 of the Local Government Finance Act 1992 requires 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 that an authority should hold.

Current advice on reserves from the Local Councils Association and followed by the Parish Council is that the amount of financial reserve held should, where possible, be a sum that is somewhere between: the full amount of the Annual Precept and an amount that would enable Council to operate for at least three months. It is up to each Council, working with the recommendation of its Responsible Financial Officer, to determine what level is appropriate, based on each Council's own commitments. Additional specific earmarked reserves may be required for projects.

Reserve Components

General Reserve

The use of this is not restricted. It can be used to smooth the impact of uneven cash flows, offset the budget requirements, or can be used to cope with unexpected events or emergencies. Harthill with Woodall Parish Council has adopted the following policy for this reserve:

- It is intended to maintain the General Reserve at a level at least equivalent to 45% of precept income, but at all times there should be sufficient to cover staff salaries and contractual obligations for three months.
- Currently the forecast budget for 2025/2026 shows a general reserve to precept ratio of 45%. Harthill with Woodall Parish Council considers this to be adequate at this time but will review whether an increase in transfer to general reserves is required when setting the 2026/2027 budget to continue to maintain levels at 45%.
- If the General Reserve is exhausted due to extreme circumstances, the Council may make emergency borrowings from Earmarked Reserves, which will be replaced in the next annual budget.

Earmarked Reserves

These are to be set up to meet known or predicted liabilities or to earmark funds received for a specific purpose, such as Community Infrastructure Levy. Current examples include Village Hall Repairs, CIL, Play Area Reserves.

Earmarked Reserves may be carried over if the project is not yet complete, or the reserves are being built for a future project to smooth out the budgeting process.

Procedure Adopted for the Management of Reserves

- Any decision to set up a reserve must be made by the Full Council.
- Expenditure from reserves can only be authorised by the Full Council.
- The reserves will be reviewed by the Full Council as part of the annual budgeting process.
- The Responsible Financial Officer will maintain a detailed schedule of all reserves, which will form part of the monthly breakdown.
- The Responsible Financial Officer has dispensation to transfer up to £5000 from and to reserves, where authorisation to spend or create a reserve has already been given, additionally to transfer from General Reserves to ensure that the current account is maintained in credit, where timing differences occur, or the precept is due but not yet paid.

Adopted March 2021

Reviewed March 2025

Next Review January 2026

Minute Reference – 2025/36.6