

# **Sourton Parish Council**

## **Reserves Policy**

### Introduction

1.1 The Parish Council is required by statute to maintain financial reserves sufficient to meet the needs of the organisation and in addition has statutory limitations on how it spends certain receipts which it must ensure are accounted for separately to the council's general funds.

1.2 Whilst there is no statutory minimum (or maximum) level of reserves, the council has no power to hold revenue reserves other than those for reasonable working capital needs or specific earmarked purposes.

1.3 The Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide, which sets out the 'proper practices' for how the council must maintain its accounts, recommends that the minimum level of general reserves should be between three and twelve months of net revenue expenditure. For an authority of the council's size, it states that the higher end (9 to 12 months, or 75-100%) is appropriate.

1.4 The council's Internal Auditors review the council's reserves and their justification annually.

1.5 This policy sets out how the council will manage its reserves.

### General Reserve

2.1 The general reserve is not ringfenced (earmarked) for any specific expenditure. Its purposes is to smooth the impact of uneven cashflow or cover unexpected/emergency expenditure. It is not intended to fund on-going expenditure.

2.2 The general reserve will be replenished as part of the budget process in any year where it has been utilised for unexpected/emergency expenditure.

2.3 The council will hold a general reserve of at least 50% of its net revenue expenditure (NRE) this is the difference between its budgeted income and expenditure less any budgeted capital expenditure, expenditure from earmarked reserves and budgeted transfers to reserves.

### Earmarked Reserves

3.1 The council may establish ringfenced (earmarked) reserves for any reason where it reasonably believes it may incur

expenditure in the future. The council's current earmarked reserves are detailed below.

### Elections Reserve

4.1 This earmarked reserve is to cover the cost of elections.

4.2 The reserve will be held at £1000 for a by-election,

4.3 The last non contested election in 2023 cost £71.10, there is no record of a contested election to base costs on.

4.4 The council may determine to lower the reserve immediately before/after ordinary election years where the likelihood of a by-election is lower.

#### Asset Maintenance Reserve

4.5 This earmarked reserve is to cover expenditure of Council assets.

4.6 Any overspend within the asset maintenance cost centre will be covered by the reserve at year end.

4.7 There is no specific project for which the council is building the reserve, and it may be utilised to cover expenditure as is required.

#### IT Replacement Reserve

4.8 This earmarked reserve is to replace the IT equipment owned by the Parish Council

4.9 The council will not increase the reserve each year unless spent.

4.10 There is no specific target level for the reserve.

#### Tree Inspection Reserve

4.11 This earmarked reserve is to cover the cost of the tree inspections the Council requires every three years.

4.12 The council will increase the reserve by £200 each year on a 3-year cycle.

#### Defibrillator Reserve

4.13 This reserve is being built to allow the replacement of parts for the defibrillator such as batteries and pads.

4.14 Any unspent events budget will be transferred to the reserve at the end of the financial year.

#### Events Reserves

4.15 This earmarked reserve is to preserve a funding pot for events that was funded by grants.

4.16 Any unspent events budget will be transferred to the reserve at the end of the financial year.

4.17 There is no specific project for which the council is building the reserve, and it may be utilised to cover expenditure as is required.

## Sourton Show Reserve

4.18 This is safeguarding the shows funds of £2,240.61 until the Parish Council, or a local organisation want to revive the show,

4.19 No new funds will be added to this reserve

## Review and Variation to Policy

This policy will be reviewed annually by Sourton Parish Council as part of setting the council budget.

Where it determines there is justification for doing so, the Council may make decisions which are at variance to this policy.