

Charmouth Parish Council

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RESERVES POLICY

1. Purpose of a Financial Reserves Policy

Charmouth Parish Council is required to maintain adequate financial reserves to meet the needs of the organisation, but has no legal powers to hold reserves other than those for reasonable working capital needs or for specifically earmarked purposes. The purpose of this policy is to set out how the Parish Council will determine and review the level of such reserves, and how they will be used. Local government legislation requires parishes to have regard to the level of reserves needed for meeting estimated future expenditure, when calculating their budget. However, there is no specified minimum or maximum level of reserves that an authority should hold, and it is the responsibility of the Responsible Financial Officer (Clerk) to advise the Parish Council about the level of reserves, and to ensure that there are key protocols for their establishment and use.

Reserves can be used for long-term planned or exceptional (unbudgeted or higher than expected) expenditure on the following conditions:

- The expenditure must not be recurring;
- Income in reserves from the sale of fixed assets ('capital receipts') such as the sale of land, can only be used for capital projects, such as the acquisition and enhancement of land, building, vehicles, plant and equipment.

Budget allocations can be moved from one budget line to another during the course of a financial year, with approval from the Parish Council, as long as the total expenditure for the financial year is not exceeded.

2. Types of Reserve

Reserves can be categorised as

- Earmarked (held for a specific purpose);
- General (held to cushion the impact of uneven cash flows or unexpected events);
- Ringfenced (grants allocated for a specific project only, this money must not be used for any other purpose).

2.1 Earmarked reserves - Earmarked reserves are a means of building up funds over several years to deliver a defined project, predicted liabilities or for known significant expenditure. They can, if agreed by the Council, be used for emergency operations. Any changes to the proposed use of reserves must be agreed by Council. The RFO will note earmarked reserves movements at the end of the financial year and periodically throughout the year.

Earmarked reserves are held for specific projects or purposes, or to meet known or predicted liabilities, for example:

- Renewals – to enable the Parish Council to plan and finance an effective programme of equipment replacement. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.
- Carry forward of underspend – some expenditure is budgeted for projects, but is not spent in that financial year. Reserves are used as a mechanism to carry forward these resources.

2.2 General reserves - General reserves are funds which do not have any restrictions as to their use. These reserves can be used to smooth the impact of significant pressures, offset the budget requirement if necessary or can be held in case of unexpected events or emergencies. Agreement from full Council is required to move funds from the general reserves.

The Council strives to maintain an amount of £45500.00 in General Reserves, in addition to the working reserve held in the Santander Deposit Account and the General Contingency held in the Nat West Current Account. This amounts to an average, over 3 years, of 3 months of annual expenditure. The General Reserves should only be used when there is an exceptional event and the sum of monies available within the budget together with the total of funds available in specific reserves are insufficient to meet the expenditure to rectify the exceptional event.

2.3 Ringfenced reserves - Ringfenced reserves are grants allocated for a specific project only, this money must not be used for any other purpose.

3. Review of Reserves

Reserves will be reviewed each year as part of the budget process to confirm that they are still required and that the level is still appropriate.

Agreed by Council:	July 2019
Review due:	July 2020