

Great Tey Parish Council

Financial Reserves Policy

1. Introduction:

Great Tey Parish Council recognises the importance of maintaining appropriate levels of reserves to ensure its financial stability and operational continuity. This Reserves Policy sets out the framework for how the council will manage its reserves, ensuring that funds are held for specific purposes while maintaining sufficient reserves to meet unplanned financial obligations and opportunities.

2. Purpose of the Reserves Policy:

The purpose of the Reserves Policy is to:

- Ensure the council can manage unexpected events or emergencies without disruption to services.
- Provide transparency in the use and management of reserves.
- Maintain a prudent level of financial resilience to deal with potential risks and future liabilities.
- Set aside funds for specific projects or future capital investments.

3. Types of Reserves:

Great Tey Parish Council will maintain the following types of reserves:

a) General Reserves:

General Reserves are funds not earmarked for specific purposes and are held to cushion the impact of unexpected events or emergencies, such as:

- Unexpected expenditure (e.g., repairs, legal fees).
- Short-term gaps in income.
- Unforeseen opportunities or challenges.

The target level of General Reserves will typically be maintained at a minimum of 3 to 12 months' worth of the council's net revenue expenditure, following best practice guidance from relevant local government bodies. This allows for flexibility while ensuring sufficient resources for emergencies.

b) Earmarked Reserves:

Earmarked Reserves are funds set aside for specific purposes or projects, including:

- Planned or unplanned capital expenditures (e.g., asset replacement, community facility upgrades).
- Future projects identified within the council's strategic plan.
- Grants or contributions received for specific initiatives.

Earmarked Reserves will be reviewed annually to ensure that they are still relevant and adequately funded.

c) Restricted Reserves:

Restricted Reserves consist of funds given to the council for specific purposes, such as grants or donations, which can only be spent on the specified activity or project. These reserves are ring-fenced and must not be used for other purposes.

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4. Management and Use of Reserves:

- **Monitoring:** The levels of all reserves will be monitored as part of the council's regular financial reporting process. The Parish Clerk, in collaboration with the Responsible Financial Officer (RFO), will provide updates to the council on the balance and use of reserves during quarterly and year-end budget reviews.
- **Decision-Making:** The council must approve the establishment of Earmarked Reserves and any withdrawals from General Reserves that fall outside the approved budget. This ensures that funds are used appropriately and with full transparency.
- **Annual Review:** The level and purpose of all reserves will be reviewed annually during the budgeting process to ensure reserves align with the council's priorities, risks, and financial requirements for the forthcoming year.
- **Adjustments:** If reserves fall below the required levels or significantly exceed them, the council will take corrective action through future budget allocations or adjustments.

5. Use of General Reserves:

General Reserves should only be used for unforeseen events or emergencies that cannot be funded from the current budget. If General Reserves fall below the minimum target level, the council will aim to replenish them within a reasonable period through:

- Increased precept contributions.
- Reducing non-essential spending.
- Reallocation of surplus funds from other budget areas.

6. Use of Earmarked Reserves:

Earmarked Reserves will be used for their designated purpose. Once the specific project or expenditure is complete, any remaining balance may:

- Be transferred to General Reserves if no longer required.
- Be reallocated to another Earmarked Reserve if deemed appropriate by the council.

7. Adequacy of Reserves:

In assessing the adequacy of reserves, the council will consider:

- The risks facing the council, including any operational or financial risks.
- The timing of any significant future commitments, such as planned capital expenditure or long-term projects.
- Any external factors or pressures on the council's finances (e.g., inflation, changes in grant funding).

The council will strive to maintain a balance between ensuring sufficient reserves are available to cover future commitments and not holding excessive reserves that could be used for the benefit of the community.

8. Conclusion:

Great Tey Parish Council is committed to managing its reserves in a way that ensures financial stability, delivers value to the community, and meets legal and statutory obligations. The policy will be reviewed annually as part of the budget-setting process or sooner if there are significant changes in circumstances.