



Cliffe and Cliffe Woods Parish Council

Reserves Policy

The Parish Council is required to maintain reserves to protect against risk, ensure contingencies are in place and to support investments in future projects which are beneficial to the Parish. The Local Government Finance Act 1992 (sections 31, 32, 42 and 43) require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. The Local Government Act 2003 section 25 states that the Responsible Finance Officer has a duty to report on the robustness of the estimates made for the purposes of the calculations and the adequacy of the reserves.

Types of Reserves

Cliffe and Cliffe Woods Parish Council maintains two types of reserves:

General Reserves

This represents the non-ring fenced (earmarked) balance of Council funds. The purpose of the General Reserve is to operate a working balance to help manage the impact of uneven cash-flows and to provide a contingency to cushion the impact of emerging, unforeseen events or genuine emergencies. In general, a robust level of reserves should be maintained and take account of operational and financial issues that the Parish Council may face.

The level of the General Reserves to be held should equate to a minimum of 4 months of precept, but no more than 12 months.

Earmarked Reserves

This provides a means of accumulating funds for use in a later financial year to meet known or planned policy initiatives and are generally built up over a period of time. The accumulating of funds to meet known future expenditure reduces the impact of meeting the full expenditure in one year. The Council, when establishing an earmarked reserve, will consider:

- The reason/purpose of the reserve;
- How and when the reserve can be used;
- Procedures for the management and control of the reserve;
- A process and timescale for review to ensure continuing relevance and adequacy.

If a specific reserve is no longer considered relevant or there is an overriding financial requirement to fund a priority elsewhere virement can be considered.

A further reserve that could be held is:

Capital Reserves

Capital Reserves are built up over time, in a similar way to the Earmarked Reserves and set aside for capital projects. These are when money is spent on a tangible asset, either to buy something or make substantial improvements e.g. a community building refurbishment.

Monitoring and Reviewing of Reserves

General Reserves are reviewed annually at the financial year end in conjunction with the year's surplus or deficit being shown.

Councillors at the F&GP Committee will review the levels of Earmarked and Capital Reserves as part of the annual budget preparation, before going to Full Council.

Any decision to transfer an Earmarked Reserve to the General Reserves must be reviewed by the Finance & Governance Committee and then recommended to Full Council for approval.

Adopted: March 2025
To review: annually