HUNDLEBY PARISH COUNCIL

FINANCIAL RESERVES POLICY

Last Review:02/11/2026
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1. INTRODUCTION

1.1 Hundleby Parish Council is required to maintain adequate financial reserves to meet the needs of the organisation. The Council must only hold reserves for reasonable working capital needs or for specifically earmarked purposes.

1.2 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.

1.3 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 (RFO) to advise the Parish Council about the level of reserves, and to ensure that there are protocols for their establishment and use.

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

i The expenditure must not be recurring;

Ii Income in reserves from the sale of fixed assets (‘capital receipts’) such as the sale of land, can only be used for capital projects for example acquisition and enhancement of land, building, vehicles, plant and equipment;

Iii Reserve and 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), or ring fenced (held for one purpose only and cannot be transferred).

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. For example

i 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.

Ii Carry forward of under spend – 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.

Iii Earmarked reserves must be reviewed annually by the Council. 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.

2.2 General Reserves

i General reserves are funds which do not have any restrictions as to their use. These reserves can be used to smooth the impact of uneven cash flows, offset the budget requirement if necessary or can be held in case of unexpected events or emergencies.

Ii The Parish Council considers a prudent level of general reserves to be the equivalent of 12 months' annual expenditure.

Iii If in extreme circumstances general reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Parish Council would be able to draw down from its earmarked reserves to provide short term resources. Even at times when extreme pressure is put on the Parish Council's finances, the Council must keep a minimum balance in its general reserves sufficient to pay three months' salary to staff.

2.3 Ring-Fenced Reserves

Ring-Fenced Reserves are grants allocated for a specific project only. This money must not be used for any other purpose.

3 RESPONSIBILITIES & REVIEW

The RFO is responsible for providing an update on the Council's reserves at least once each year. Council will review all reserves at least annually and must resolve any changes to financial reserves. This policy will be reviewed on a biennial basis or in response to changes in relevant legislation.

4 RELATED LEGISLATION, POLICIES & GUIDANCE

Related legislation, policies and guidance is listed below:

- Local Government Finance Act 1992
- Accounts and Audit Regulations 2015
- Joint Panel on Accountability and Governance (JPAG)

Practitioners Guide Hundleby Parish Council internal documents:

- Financial Regulations