

Version	Date	Authors Initials	Description of Change	Section(s) to Review
1.1	27/8/24	S.G	Creation of policy	
1.2				

**Old Parish Council**  
**Financial Reserves Policy**

Old Parish Council is required to maintain adequate financial reserves to meet the needs of the Council<sup>1</sup>. This policy sets out how the Council determines and reviews the level of its financial reserves.

The Council holds reserves for three main purposes:

- The working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
- A contingency to cushion the impact of unexpected events or emergencies.
- A means of building up funds, to meet known or predicted requirements.

**Reserves**

Reserved are categorised as general or earmarked.

**1. General Reserves**

General reserves are funds which do not have any restrictions as to their use. These servers 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.

The level of general reserves should range between 50-65% of annual general expenditure. The Council must build and maintain sufficient working balances to cover the key risks it faces, as expressed in its financial risk assessment. The primary means of building General Reserves is through an allocation from the annual budget.

**2. Earmarked Reserves**

Earmarked reserves are established on a “needs” basis, in line with anticipated requirements - expenditure from the earmarked reserve can only be authorised by Council. Details of the earmarked reserves are recorded within the Running Finances by the Responsible Financial Officer.

Earmarked reserves are not held to fund on-going expenditure; if reserves are used to meet sort term funding gaps then the COuncil will endeavour to replenish them in the following financial year. Sinking Fund reserves that have been used or a specific project will not need to be replenished, having served the purpose for which they were originally established.

The Council has established a recommend maximum level of reserves in the earmarked reserves as below:

Ring fenced area	Maximum value

<sup>1</sup> Local Government Finance Act 1992 s49A

Playground equipment	£4,000
Elections	£800
Defibrillator	£1,000
<b>Total</b>	

The primary means of building earmarked reserves is through an allocation from the annual budget. This may be in addition to any amounts needed to replenish reserves that have been consumed in the previous year.

The policy will be reviewed on an annual basis.