

CONEY WESTON PARISH COUNCIL

RESERVES POLICY

Introduction

Coney Weston Parish Council is required to maintain adequate financial reserves to meet the needs of the organization. The purpose of this policy is to set out how the Council will determine and review the level of reserves.

Types of Reserves

Reserves can be categorised as General or Earmarked. 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 budget requirements if necessary or can be held in case of unexpected events or emergencies. Even at times when extreme pressure is put on the council's finances the council must keep a minimum balance sufficient to pay three months' worth of contractual obligations to staff and contractors in general reserves at all times. The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure.

The reason for the wide range is to cater for the large variation in activity level between individual authorities. It is important that each authority adopt, as a general reserve policy, the level appropriate to their size, situation, risks and plan their budget so as to ensure that the adopted level is maintained. Consideration of the minimum level of reserves requires not only consideration of level of income and expenditure but also the risks to that income.

The level of general reserves is a matter of judgement and so this policy does not attempt to prescribe a blanket level. The primary means of building general reserves will be through an allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves that have been consumed in the previous year. The Council must build and maintain sufficient working balances to cover the key risks it faces, as expressed in its financial risk assessment. If in extreme circumstances general reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the 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 Council's finances, the Council must keep a minimum balance sufficient to pay three month's salaries to staff in general reserves at all times.

Coney Weston Parish Council's Reserves Policy

Earmarked reserves can be held for several reasons: Renewals – to enable services to plan and finance an effective programme of equipment replacement and planned maintenance. 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 – this will allow expenditure for projects/services to carry forward in to future budgets. Other earmarked reserves may be set up from time to time to meet known or predicted liabilities and may include an insurance reserve to enable the Council to meet the excesses of claims not covered by insurance. Earmarked reserves will be established on a “needs” basis, in line with anticipated requirements. Any decision to set up a reserve must be given by the council. Expenditure from reserves can only be authorised by the council. Reserves should not be held to fund ongoing expenditure. This would be unsustainable as, at some point, the reserves would be exhausted. To the extent that reserves are used to meet short term funding gaps, they must be replenished in the following year. However, earmarked reserves that have been used to meet a specific liability would not need to be replenished, having served the purpose for which they were originally established.

The Council will hold Reserves for these three main purposes: 1. A working balance to help cushion the impact of uneven cash flows – this forms part of the General Reserves. 2. A contingency to cushion the impact of unexpected events or emergencies – this also forms part of the General Reserves. 3. A means of building up funds (Earmarked Reserves), to meet known or predicted requirements.

Any decision to set up a reserve must be made by the Council. Expenditure from reserves can only be authorized by the Council. The reserves will be reviewed by the Council as part of the annual budgeting process.

The level of financial reserves held by Coney Weston Parish Council will be agreed by full Council. The current level of Earmarked Reserves (Election Costs) is £2,050. The Council holds 60-70% as General Reserves. The Council intends to continue to hold reserves at this level.

Adopted by Coney Weston Parish Council

5 March 2026