

WHIMPLE PARISH COUNCIL RESERVES POLICY

Introduction

Whimple Parish Council is required to maintain an adequate level of financial reserves to:

- Protect against risk
- Ensure contingencies are in place
- Accumulate funds for known or planned policy initiatives or projects

The Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

The 2025 Smaller Authorities Proper Practices Panel (SAPPP) Practitioners' Guide section 1.13 states '*The authority needs to have regard to the need to put in place a General Reserve Policy and have reviewed the level and purpose of all Earmarked Reserves*'.

The 2025 Good Councillors Guide to Finance states '*Local councils need to hold an amount in reserves to meet unexpected expenditure, otherwise they could run out of money before the end of the year*'.

Policy Purpose

The purpose of this policy is to set out how Whimple Parish Council will determine and review the level of reserves, and how they will be used.

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 ringfenced (held for one purpose only and cannot be transferred).

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.

An earmarked reserve must be for a genuine purpose and be separately identifiable.

Amounts in earmarked reserves are set by the Parish Council as part of the annual budget process.

If a specific earmarked reserve is no longer considered necessary, or the project has been completed and there is a surplus in the earmarked reserve the Parish Council will decide how the balance in the earmarked reserve will be allocated. Any changes to the proposed use of earmarked reserves must be approved by Council.

Earmarked reserves will increase through decisions of the Parish Council and will decrease as they are spent on their specific purpose.

General Reserves

General Reserves are funds which do not have any restrictions to their use.

The purpose of general reserves is:

- To provide contingency to minimise the possible financial impacts to the authority from situations such as emergencies, unforeseen events, and adhoc emerging issues.
- To operate as a working balance to manage the impact of uneven cash flows.

The 2025 SAPPP Practitioners' Guide sections 5.34 and 5.35 state '*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*' and '*The smaller the authority, the closer the figure may be to 12 months expenditure, the larger the authority, the nearer to 3 months*'.

Whimpe Parish Council considers a prudent level of reserves to be the equivalent level of 6 months' annual expenditure.

Balancing the budget by drawing on reserves must be viewed as a legitimate short term option only.

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 finances, the Council must keep a minimum balance in its general reserves sufficient to pay three months' salary to staff.

Approval from Council is required to move funds from earmarked reserves into the general reserve, and to move funds from the general reserves.

Ringfenced Reserves

Ringfenced reserves are grants allocated for a specific purpose/project only. This money must not be used for any other purpose.