

# CREDITON HAMLETS PARISH COUNCIL (“the Council”)

## RESERVES POLICY

Reserves are an important part of the Council's financial strategy and are held to create long-term budgetary stability. They enable the Council to manage change without undue impact on precept and are a key element of strong financial standing and resilience. The Council's key sources of funding face an uncertain future and the Council therefore holds earmarked reserves and a General Fund working balance in order to mitigate future financial risks.

Reserves may be categorised as either General or Specific. General Reserves are funds which do not have any restrictions on their use. They cushion the impact of uneven cash flows and offset budget requirements if necessary. They can be held in case of unexpected events or emergencies. The level of the General Reserve is agreed with the Annual Budget.

Specific reserves are a means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately.

### **The Council's General Reserve**

The generally accepted recommendation for the appropriate minimum level of a small council's General Reserve is that this should be maintained at between three and twelve months of income. The smaller the authority the closer the figure should be to twelve months.

The Council's policy is that the general fund should be maintained at a minimum level of 6 months and a maximum level of 12 months of income. This may change subject to an annual risk assessment carried out by the Responsible Financial Officer (RFO) when setting the budget for the forthcoming year.

In order to assess the adequacy of the general fund when setting the annual budget, the RFO will take account of the strategic, operational and financial risks facing the Council. The requirement of the level of the general fund balance for the forthcoming year will therefore be based upon a risk assessment of the Council's main areas of income and expenditure and take into account any provisions and contingencies that may be required.

### **The Council's Specific Reserves**

The Council, when establishing a specific reserve, will set out the purpose of the reserve eg building up a fund to replace assets over a number of years so as to smooth out expenditure over several years and avoid sudden variations in budgets and precept

If a specific reserve cannot be spent in a financial year it can be carried forward to the subsequent year if agreed by the Council when the budget for the subsequent year is set.

Any decision to set up a reserve must be made by the Council. Expenditure from reserves can only be authorised by the Council but may be reflected in the budget for the subsequent year.

Specific reserves may be set up from time to time throughout the financial year to meet new or predicted liabilities.

Approved by the Council on 4<sup>th</sup> November 2024