

Colton Parish Council
Reserves Policy
Adopted 19th May, 2025

Introduction

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

Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

The Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide, which sets out the 'proper practices' for how the council must maintain its accounts, recommends that the minimum level of general reserves should be between three and twelve months of net revenue expenditure. The expectation is that for smaller Parish Councils, the appropriate level leans towards the higher of this level, with 12 months net operating costs. It is the responsibility of the Responsible Financial Officer (Clerk) to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use.

Types of Reserves

Reserves can be categorised as general, earmarked or restricted (ring-fenced):

1. General

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.

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.

Setting the level of general reserves is one of several related decisions in the formulation of the medium-term financial strategy and the annual budget. The Council must build and maintain sufficient working balances to cover the key risks it faces, as expressed in its financial risk assessment.

2. Earmarked

Funds allocated to enable the Council to plan and finance programmes of asset & infrastructure maintenance & replacement. These reserves are a mechanism to smooth expenditure so that sensible replacement and maintenance programmes can be achieved with reduced need to vary budgets.

3. Restricted (ring-fenced)

Funds held when expenditure has been committed, but not spent, during the financial year and when funds are donated or granted for specific purposes but not yet spent. Reserves are used as a mechanism to carry forward these resources.

Current level of financial reserves

The current level of reserves held by the Council approved on 19th May 2025 is £21750.

Breakdown of Reserves held:

General £12,000

Ringfenced £3000 (noticeboards)

Earmarked £6750

Breakdown:

£3000 Bouth V Green major repairs

£1750 ACT grant received April 2024

£1500 C Plan funds

£500 SID (Speed indicator device)

The Council has the intention to grow their general reserves to meet a years operational costs (approximately £18,500 for 2025/26 Financial year). The Council also intends to look into the opening of a reserve bank account.

The Council reviews the reserves and their allocation annually alongside consideration of the budget.