

Compton Bishop Parish Council

Reserves Policy

Reserves are funds retained by the Parish Council at the end of the financial year for spending in future years. They represent cash on hand for use against both expected and unexpected events.

There are two different types of reserve that may be employed by the Parish Council. They are General Reserves and Specific Reserves, sometimes called “earmarked reserves”.

Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to have regard to the level of reserves needed. However, there is no specified minimum or maximum level of reserves that an authority should hold and it is the responsibility of the Responsible Financial Officer to advise the Council about the level of reserves and to ensure that there are key protocols for their establishment and use.

General Reserves.

The General Reserve, unlike other reserves, is not set aside for an identified use. It is a safety buffer to ensure, within reason, Council has sufficient funds to carry out its functions. Any surplus or deficit at the end of a financial year is carried to General Reserve. In line with NALC guidelines the General Reserve will be maintained at a level roughly equal to one year’s precept.

Specific Reserves.

A specific reserve is money set aside for an identified purpose. A specific reserve can be created when expenditure that was budgeted to take place within the year but has actually been deferred to the following year. This concept makes allowance for the practical difficulties that can prevent Council completing projects within a financial year. However, public money must not be hoarded in reserves. When no expenditure has been incurred against such a reserved item by the end of the following financial year the council must reaffirm its intention to carry out the project in order to retain its reserve. Specific reserves may also be accrued over a number of years to build a sum for known or predicted large expenditure such as highways projects or as an insurance fund for possible expenditure such as election costs. Specific reserves are ring fenced for spending on the identified items.

Approved at a Parish Council meeting on 5th May 2021.