



# Yarnfield and Cold Meece Parish Council

## General and Earmarked Reserves Policy

### 1 Purpose

- 1.1 Yarnfield and Cold Meece Parish Council (the council) is required to maintain adequate financial reserves to meet the needs of the authority. The purpose of this policy is to set out how the council will determine and review the level of reserves.
- 1.2 The general reserve of an authority comprises its cash flow and contingency funds that are needed to cover unexpected inflation, unforeseen events and unusual circumstances.
- 1.3 The generally accepted recommendation about the appropriate minimum level of a smaller authority's general reserve is that the amount 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. The smaller the authority, the closer the figure may be to 12 months expenditure; the larger the authority, the nearer to 3 months.<sup>1</sup>

### 2 Type of reserve

- 2.1 General reserves are funds which do not have any restrictions on their use. These reserves cushion the impact of uneven cash flows or can be held in the case of unexpected events or emergencies.
- 2.2 Earmarked reserves can only be used for the purpose for which they were created. Earmarked reserves are agreed by the council and are reviewed annually as part of the annual budget and precept setting process.
- 2.3 When the purpose of an earmarked reserve becomes obsolete, or where there is an over-provision of funds for the specific purpose, the parish council by resolution will transfer the reserve, or part thereof, at the discretion of the parish council.

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<sup>1</sup> Joint Panel on Accountability and Governance – Practitioners' Guide

### **3 Level of Reserves**

3.1 The council will work to build a level of general reserves that equates to 100% of the April 2025 precept.

### **4 Management and control of reserves**

4.1 The level of the general reserve and earmarked reserves will be reviewed annually as part of the budget and precept setting process and will be agreed by the council.

4.2 A delivery plan for each earmarked reserve project will be prepared, and progress reported to the council.

4.3 Any movements in general reserves and earmarked reserves will be reported to the council as part of the quarterly budget review.

4.4 Approval for the creation, amendment, or cessation of an earmarked reserve will be presented to the council by the clerk and approved by the council.

### **5 Use of reserves to generate income**

5.1 To maximise the level of interest payments on the reserves held by the council the annual precept payments and any grants awarded to the parish council will be held in general reserves.

5.2 The council will aim to hold an operating balance in the council's general bank account that is sufficient to cover two months expenditure.

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