

DORCHESTER PARISH COUNCIL

RESERVES POLICY

1 Introduction

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

1.2 The Local Government Finance Act 1992 s32 & 43 require local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. However, there is no specified minimum level of reserves that an authority should hold and it is the responsibility of the Responsible Financial Officer (RFO) to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use.

2 Types of Reserves

2.1 Reserves can be categorised as Earmarked or General.

2.2 Earmarked reserves can be held for several reasons:

- a) Renewals – to enable planning of an effective programme of property, equipment and infrastructure replacement and maintenance.
- b) Specific Project reserves – anticipated expenditure on projects agreed by the Council. These reserves should support active projects and have a realistic anticipation of expenditure within 3 years. Where Specific Projects are terminated or the anticipated level of expenditure is reduced then surplus reserves under this category should be returned to the General Project reserve.
- c) General Project reserves – anticipated expenditure on projects but not yet allocated to Specific Projects. These reserves should be allocated to Specific Projects within 1 year.
- d) Insurance reserve – to enable the Council to meet the excesses of claims not covered by insurance.
- e) Other earmarked reserves may be set up from time to time to meet known or predicted liabilities.

2.3 General Reserves are funds which do not have any restrictions as to their use. These reserves are intended to support the management of uneven cash flows, offset the budget requirement if necessary or can be held in case of unexpected events or emergencies.

3 Earmarked Reserves

3.1 Any decision to set up a reserve must be made by the Council.

3.2 Expenditure from reserves can only be authorised by the Council.

3.3 All Earmarked Reserves are recorded on a central schedule held by the RFO which lists the various Earmarked Reserves and the purpose for which they are held.

4 General Reserves

4.1 The level of General Reserves is a matter of judgement based on predictability of income and expenditure and variations in cashflow through the financial year.

4.2 The Council has agreed that General Reserves equivalent to 6-9 months of budgeted expenditure represent a prudent level.

4.3 If the RFO believes General Reserves have, or will, on an ongoing basis, fall below 6 months of budgeted expenditure then the RFO must bring forward proposals on income, expenditure or other reserves to rectify the position.

4.4 If the RFO believes the General Reserves have, or will, on an ongoing basis, rise above 9 months of budgeted expenditure then the council must review its budgets, reserves and General Project and Specific Project reserves to allocate surplus General Reserves.

5 Review of Reserves

5.1 Reserves must be reviewed each year as part of the budget process to confirm that they are still required and that the level is still appropriate.

5.2 In addition reserves should be reviewed where, in the view of the RFO and/or the Council there are significant changes to the Council's strategy that warrant an interim review.

6 Review of the Policy

6.1 This policy was adopted by the Parish Council at its meeting on 8th November 2023 and will be reviewed periodically, but not less than every 4 years.