Stretton Parish Council
Reserves Policy

1. Purpose

1.1 Stretton Parish Council (“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.

1.2 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. However, there is no specified minimum 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 procedures for their establishment and use.

2. Types of reserves

2.1 Reserves can be categorised as general or earmarked.

2.2 Expenditure from Reserves can only be authorised by the Council

2.3 Earmarked Reserves can be held for several reasons:

- Renewals – to enable services to plan and finance an effective programme of vehicle and equipment replacement and planned property maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.
- Carry forward of underspend - some services commit expenditure to projects but cannot spend the budget in year. Reserves are used as a mechanism to carry forward these resources.
- Insurance reserve – to enable the Council to meet the excesses of claims not covered by insurance.
- Other earmarked reserves may be set up from time to time to meet known or predicted liabilities such as future Election Costs or Emergencies.
- Community Infrastructure Levy – funds received due to Local Housebuilding. There are separate rules governing the use and conditions of CIL money.

2.4 General Reserves are 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.

3. Earmarked reserves

3.1 Earmarked reserves will be established on a “needs” basis, in line with anticipated requirements.

3.2 Any decision to set up a reserve must be given by the Council.

3.3 Earmarked reserves should not be held to fund ongoing expenditure. This would be unsustainable as, at some point, the reserves would be exhausted. To the extent that reserves are used to meet short term funding gaps, they must be replenished in the following year. However, earmarked reserves that have been used to meet a specific liability would not need to be replenished, having served the purpose for which they were originally established.

3.4 All earmarked reserves are recorded on a central schedule held by the Responsible Financial Officer which lists the various earmarked reserves and the purpose for which they are held.

3.5 Reviewing the Council's Financial Risk Assessment is part of the budgeting and year end accounting procedures and identifies planned and unplanned expenditure items and thereby indicates an appropriate level of reserves.

4. General Reserves

4.1 The level of general reserves is a matter of judgment and should be reviewed periodically to ensure it is at an appropriate level for the prevailing Economic conditions. 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.

4.2 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.

4.3 If in extreme circumstances general reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Council would be able to draw down from its earmarked reserves to provide short term resources, provided these are then replenished at the next budgetary cycle, unless the Council agrees the earmarked reserve(s) used is no longer required.

5. Opportunity cost of holding reserves

5.1 Given the opportunity costs of holding reserves, it is critical that reserves continue to be reviewed each year as part of the budget process to confirm that they are still required and that the level is still appropriate.

6. Current level of financial reserves

6.1 The level of financial reserves to be held will be agreed by the Parish Council during the budget setting process for the next financial year. At this point, the Appendix to this policy will be updated to record the General and Earmarked Reserves to be held for the budget period.

ADOPTED ___________________ MINUTE REFERENCE NO___________________

CHAIRMAN ____Cllr Kevin Hawkes___________________

APPENDIX 1 STRETTON PARISH COUNCIL RESERVES POLICY

Prevailing Reserves to be held for the Budget Year 2025-26

General Reserve:

1. The level of General Reserve shall be maintained at **50%** of Planned Annual Expenditure

2. Planned Annual Expenditure for 2025-26 has been forecast as £5,800

3. The General Reserve is therefore set as £2,900

Community Infrastructure Levy

As the amount and timing of CIL monies is not in our control (managed by Rutland CC) Stretton Parish Council is not able to set a specific budget. All CIL monies received will be held in the Specified Reserves Account and clearly identified on the Schedule maintained by the Responsible Financial Officer and reviewed by the Council at a full Council Meeting, agreed by Council and recorded in the Minutes.

APPENDIX 2

Reserves 2025-26 updated 25 June 2025

Budget	2025/26			Notes
Planned Annual Expenditure (PAE)	£5,800.00			Planned Annual Expenditure 2025/26 = £8,932 from Budget 2025/26
	Initial Reserve	Drawndown	Balance	
50% of Annual Council Expenses	£4,466.00	£0.00	£4,466.00	
Earmarked Reserves			£0.00	
Laptop	£600.00	£0.00	£600.00	Ringfence for replacement of laptop = £600
Defibrilator	£400.00	£0.00	£400.00	Ringfence for replacement of defibrilator = £400
	£5,466.00	**£0.00**	**£5,466.00**	

Note: £300 is currently sitting with Heartbeat in a charity account to be offset against the 2027 replacement of the defib, it has been budgeted for £100 to be paid each year for 4 years = £700 (total), however, the defib will cost a possible £1200, hence the £500 ringfenced amount above to ensure that this shortfall is covered