



## **Treverbyn Parish Council**

### **General Reserves Policy**

#### **1. Introduction**

Treverbyn Parish Council (“the Council”) recognises the importance of maintaining adequate financial reserves to support sound financial management and ensure the long-term sustainability of Council services and operations.

This policy sets out the Council’s approach to the establishment, maintenance, use, and review of general reserves.

The policy has been prepared having regard to:

- The Local Government Act 1972
- The Local Government Finance Act 1992
- Joint Panel on Accountability and Governance (JPAG) guidance
- Proper Practices for local councils
- The Council’s Financial Regulations

#### **2. Purpose of General Reserves**

General reserves are held to:

- Protect the Council against unforeseen financial pressures
- Support cash flow requirements
- Provide contingency funding for emergencies
- Manage financial risk
- Cushion the impact of unexpected expenditure or reduced income
- Support prudent financial management

General reserves are not intended to fund ongoing expenditure indefinitely.

### **3. Types of Reserves**

The Council may maintain:

#### **3.1 General Reserves**

Funds held to meet general financial risks and contingencies.

#### **3.2 Earmarked Reserves**

Funds set aside for specific purposes, projects, liabilities, or future expenditure approved by the Council.

This policy relates specifically to General Reserves.

### **4. Level of General Reserves**

The Council shall seek to maintain a prudent level of general reserves appropriate to:

- The size and scope of the Council
- Annual expenditure levels
- Financial risks
- Cash flow requirements
- Ongoing liabilities
- Operational commitments

For a parish council of Treverbyn's size and responsibilities, the Council shall normally aim to maintain general reserves equivalent to approximately:

- Between 3 and 12 months of net revenue expenditure

with a preferred working target generally falling within the range of:

- 50% to 100% of the annual precept requirement

depending upon identified risks, planned expenditure and reserve commitments.

The Council acknowledges that reserve levels may fluctuate from year to year depending on operational and strategic requirements.

### **5. Factors Considered When Determining Reserve Levels**

When reviewing reserve levels, the Council shall consider:

- Annual precept levels
- Population and service responsibilities
- Financial risks and uncertainties
- Inflation and cost pressures
- Emergency expenditure risks
- Asset maintenance liabilities

- Staffing obligations
- Insurance excesses and claims risks
- Potential legal liabilities
- Planned capital projects
- Cash flow requirements
- External funding uncertainty

## **6. Use of General Reserves**

General reserves may be used for:

- Emergency expenditure
- Unforeseen costs
- Temporary cash flow support
- One-off exceptional expenditure
- Risk management purposes

General reserves should not normally be used to support recurring annual expenditure or ongoing operational deficits without a clear recovery strategy.

## **7. Transfers to and from Reserves**

Transfers to or from reserves shall be approved by the Council through:

- The annual budget-setting process, or
- Formal Council resolution

The Council may establish earmarked reserves where appropriate for identified future expenditure.

## **8. Financial Management and Monitoring**

The Clerk/Responsible Financial Officer (RFO) shall:

- Monitor reserve levels regularly
- Report reserve balances to the Council as part of routine financial reporting
- Advise the Council on reserve adequacy
- Highlight significant financial risks or pressures

Reserve balances shall be included within annual accounting statements.

## **9. Transparency and Accountability**

The Council recognises that reserves consist of public funds and shall ensure:

- Appropriate transparency
- Proper accounting treatment
- Clear reporting to members and auditors

- Compliance with proper practices

The Council shall be prepared to explain and justify reserve levels where required by auditors or electors.

## **10. Risk Management**

The Council recognises that maintaining adequate reserves forms an important part of effective financial risk management.

Inadequate reserves may expose the Council to:

- Financial instability
- Service disruption
- Inability to respond to emergencies
- Increased pressure on future precepts

Excessive reserves without identified purpose may also attract public and audit scrutiny.

## **11. Review of Reserve Levels**

General reserve levels shall be reviewed:

- Annually during budget setting
- As part of financial monitoring arrangements
- Following significant changes in financial circumstances
- Following major projects or unexpected expenditure

The Council may adjust reserve targets where justified by operational or financial conditions.

## **12. Relationship with Other Policies**

This policy should be read alongside:

- Financial Regulations
- Risk Management Policy
- Investment Policy
- Asset Management arrangements
- Budget-setting procedures

## **13. Review**

This policy shall be reviewed annually or sooner if required due to changes in legislation, guidance, or the Council's financial circumstances.

## **14. Adoption**

Adopted by Treverbyn Parish Council on: