



UPTON BY CHESTER AND DISTRICT PARISH COUNCIL

Reserves Policy

Approval Date	November 2023
Review Date	November 2024

1.0 Introduction

1.1 This Policy ensures that the Parish Council holds an appropriate level of funds in Reserves to meet unforeseen expenditure; and builds up sufficient funds to carry out long-term plans.

2.0 Types of Reserve

2.1 The Parish Council can hold two types of Reserves:

- General Reserves
- Earmarked Reserves

2.2 The appropriate amount of General Reserve will be determined by the Parish Council during the budget setting process.

2.3 The amounts and rationale for Earmarked Reserves will be set and reviewed at least annually by the Council.

3.0 General Reserve

3.1 A Parish Council should have a General Reserve to meet unexpected expenditure and to manage cashflow.

3.2 A Parish Council should typically hold between three and twelve months revenue expenditure as a General Reserve, but there is no definitive recommendation.

3.3 In determining the appropriate level of General Reserve, the Parish Council should consider the:

- size of its annual budget*

- need to replenish previously depleted General Reserves
- type and likelihood of unexpected costs arising from any of its activities
- type and likelihood of costs from investigations, legal or audit challenges
- impact from the loss of any income received in addition to the precept

* [The Joint Panel on Accountability and Governance Practitioners Guide 2023](#)

suggests that a Council with a small annual budget might have a General Reserve closer to twelve months; and a Council with an annual budget greater than £200,000 might have a General Reserve closer to three months.

4.0 Earmarked Reserve

4.1 The Parish Council may set aside funds for specific costs or projects that it knows will happen in the future.

4.2 There is no set guidance on the minimum or maximum amount held in Earmarked Reserves.

4.3 Earmarked Reserves must be held for genuine and identifiable purposes and projects; and should be separately identified and a rationale provided.

4.4 Examples of Earmarked Reserves include, but are not limited to:

- Projects funds which need to be built up over a few years to enable delivery
- Renewal costs for named assets
- Maintenance and repair costs for named assets
- Election costs
- Unspent grants and funding awarded for future projects
- Unspent Community Infrastructure Levy (CIL)
- Excess costs for any insurance claim; or self-insurance funds

5.0 Review and Reporting

5.1 The Responsible Financial Officer (RFO) will provide a monthly Balance Sheet to the Finance Committee showing the General Reserve and Earmarked Reserves.

5.2 The RFO will document the amount and rationale for the General Reserves and Earmarked Reserves.

5.3 If the General Reserve is significantly higher than the annual precept, an explanation may be required by the auditor.

5.4 If the Council holds a significant amount in Earmarked Reserves, an explanation may be required by the auditor.

6.0 Publication

6.1 The Reserves Policy will be published on the Parish Council's website.