



YAXHAM PARISH COUNCIL

Financial Reserves Policy

Adopted at the Parish Council meeting held in April 2021. Review frequency: Three years

1. Purpose of a Financial Reserves Policy

Yaxham Parish Council is required to maintain adequate Financial Reserves to meet the needs of its operations and to ensure financial security. The purpose of this policy is to set out how the Council will determine and review the level of reserves.

Local government legislation requires parishes to have regard to the level of reserves needed for meeting estimated future expenditure, when calculating their budget. However, there is no specified minimum or maximum level of reserves that an authority should hold, and it is the responsibility of the Responsible Financial Officer (Clerk) to advise the Parish Council about the level of reserves, and to ensure that there are key protocols for their establishment and use.

2. Types of reserve

Reserves can be categorised as earmarked (held for a specific purpose), general (held to cushion the impact of uneven cash flows or unexpected events), or ringfenced (held for one purpose only and cannot be transferred).

2.1 Earmarked reserves

Earmarked reserves are a means of building up funds over several years to deliver a defined project, predicted liabilities or for known significant expenditure. Earmarked reserves will be reviewed and/or established by the Council at the annual budget setting meeting. Any changes to the proposed use of reserves must be agreed by Council. The RFO will note earmarked reserves movements at the end of the financial year.

2.2 General reserves

General reserves are funds which do not have any restrictions as to their use. These reserves can smooth the impact of uneven cash flows, offset the budget requirement if necessary or can be held in case of unexpected events or emergencies. The Parish Council considers a prudent level of general reserves to be the equivalent of 9 months' annual expenditure and will endeavour to retain this figure at all times.

2.3 Ringfenced reserves

Ringfenced reserves are grants allocated for a specific project only, this money must not be used for any other purpose. The RFO will note ringfenced reserves movements at the end of the financial year.

3. Review of reserves

Reserves will be reviewed annually as part of the budget process to confirm that they are still required and that the level is still appropriate.