

Cardinham Parish Council Reserves Policy - 2026

1 Purpose

- 1.1 Cardinham 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:
 - 2.3.1 Renewals to enable services to plan and finance an effective programme of equipment replacement and planned maintenance. These Reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.
 - 2.3.2 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.
 - 2.3.3 Insurance reserve to enable the Council to meet the excesses of claims not covered by insurance.
 - 2.3.4 Other earmarked Reserves may be set up from time to time to meet known or predicted liabilities such as future Community Projects, Election Costs or Emergencies.
- 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 end of year 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 by Cardinham Parish Council 2026

Date Adopted March 2026

Minute Ref

Review Date March 2027

Forecast Reserves for March 2026

Nov-25

Community Account Barclays	6,163.58	as at 31/10/25
Lloyds Bank Account	12,820.02	as at 31/10/25
Investment Account	548.53	as at 31/03/25
Business Premium Account Barclays	401.26	as at 31/03/25
Total Funds	<u>19,933.39</u>	

Further receipts expected by 31 Mar 2026

LMP claim 25/26	2,294.24
Sundries	-
	<u>2,294.24</u>

Further payments expected by 31 Mar 2026

November Payments list	1,148.28
Dec to March payments:	
Wages	2,137.72
Hire of Hall	240.00
Expenses	65.00
Travel	97.20
Waste Collection	100.00
Grass Cutting	339.90
Clock Maintenance	220.00
Bank Charges	20.00
Defib maintenance	380.00
Donations	200.00
Election fees	255.00
Other Maintenance - contingency	100.00
Community projects	<u>250.00</u>
	<u>4,404.82</u>

#

Expected balance 31 Mar 2026

16,674.53

Forecast Earmarked Reserves (EMR)

Defibrillator reserve	3,732.00
Received as a donation for bench/ bench mainten	273.02
Community Projects (Set at £5000 in Jan 2024)	4,000.00
CIL (all used for Notice boards)	-
Total Earmarked Reserves	<u>8,005.02</u>

Total General Reserves as at 31 March 2026

8,669.51

The Council is required to have 3- 12 months council running costs in General Reserve OR 50-200% of Precept

Expenditure re Community Projects

<u>£</u>	<u>£</u>
Original amount (Jan 2024)	
Expenditure in 23/24:	5,000
Feb 24 Community Magazine	<u>500</u>
	<u>500</u>
Remaining as at 31/03/25	<u>4,500</u>
Expenditure in 24/25:	
Aug 24 Choose Nature CIC	
	250
Aug 24 LME Equine Therapeutic Centre	
	<u>250</u>
	<u>500</u>
Forecast Remaining as at 31/03/26	<u>4,000</u>