Reserves Policy for Harpole Parish Council

1. Introduction

The purpose of this Reserves Policy is to outline the management and use of reserves held by Harpole Parish Council. This policy ensures that reserves are maintained at an appropriate level to manage financial risks and provide for future needs, while ensuring transparency and accountability.

2. Objectives

The objectives of this policy are:

- To maintain a prudent level of general reserves to safeguard the council's financial stability.
- To clearly define the use and management of Community Infrastructure Levy (CIL) and Section 106 (S106) reserves.
- To establish guidelines for monitoring and reviewing the level and use of reserves.

3. General Reserves

3.1 Purpose of General Reserves - General reserves are maintained to provide a financial cushion in the event of unforeseen circumstances, such as emergencies, unexpected expenditure, or loss of income. These reserves ensure the Parish Council can continue to operate effectively without immediate recourse to borrowing.

3.2 Level of General Reserves - The Parish Council will aim to maintain general reserves at a level that is consistent with the council's overall financial position and risk assessment. The target level for general reserves is typically between 3 to 12 months of gross expenditure. The specific level will be reviewed annually during the budget-setting process.

3.3 Use of General Reserves - General reserves should only be used to fund:

- Unexpected costs that cannot be met from other sources.
- Short-term deficits in the budget where planned expenditure exceeds income.
- Emergencies or urgent requirements that were not anticipated.

Any use of general reserves must be authorised by the Parish Council and should be reported in the council's financial statements.

4. Earmarked Reserves

4.1 Purpose of Earmarked Reserves - Earmarked reserves are portions of a parish council's funds that have been allocated for identified future expenditure or other known commitments.

4.2 Level of General Reserves - The Parish Council will aim to maintain earmarked reserves at a level that is consistent with the council's overall financial position and risk assessment. The specific level will be reviewed annually during the budget-setting process.

4.3 Use of Earmarked Reserves – Earmarked Reserves will be used to fund projects such as:

- Asset repairs or improvements
- Future election costs
- Major maintenance works
- Community projects

Any use of earmarked reserves must be authorised by the Parish Council and should be reported in the council's financial statements

5. Community Infrastructure Levy (CIL) Reserves

5.1 Purpose of CIL Reserves - CIL reserves are funds received from developers to support infrastructure needs arising from development within the parish. These reserves must be used in accordance with the legal framework governing CIL, to support the development of the area.

5.2 Management of CIL Reserves - CIL funds will be ring-fenced in the council's accounts to ensure they are only used for eligible projects. The council will maintain a schedule of projects that are to be funded by CIL reserves, which will be reviewed and updated regularly.

5.3 Use of CIL Reserves - CIL reserves should be used for:

- The provision, improvement, replacement, operation, or maintenance of infrastructure within the parish.
- Projects identified through community consultation or the Parish Council's strategic plan.

The use of CIL reserves must be approved by the Parish Council and in accordance with the regulations governing CIL expenditure.

6. Section 106 (S106) Reserves

6.1 Purpose of S106 Reserves - S106 reserves are funds provided by developers through legal agreements to mitigate the impact of development on the community. These funds are often allocated for specific purposes, such as public open spaces, or community facilities.

6.2 Management of S106 Reserves - S106 funds will be ring-fenced in the council's accounts, with clear records kept of the specific purposes for which the funds were allocated. The Parish Council will monitor the use of S106 funds to ensure compliance with the terms of the agreements.

6.3 Use of S106 Reserves - S106 reserves should be used for the specific purposes outlined in the legal agreements. These could include:

- Funding the provision or maintenance of community infrastructure.
- Supporting specific community projects that align with the terms of the S106 agreements.

Any expenditure from S106 reserves must be authorized by the Parish Council and in accordance with the relevant legal agreements.

7. Investments

7.1 Investment Policy - The Parish Council have a separate investment policy with an aim to achieve optimum returns on investments. This Policy will be considered when receiving CIL and S106 funds.

8. Monitoring and Review

8.1 Monitoring - The Parish Clerk/Responsible Financial Officer (RFO) will monitor the levels of reserves throughout the year and report on the position at least quarterly to the Parish Council.

8.2 Review - The level and use of reserves will be reviewed annually during the budget-setting process. Any changes to the policy or the level of reserves will be approved by the Parish Council.

9. Reporting and Transparency

The Parish Council will include details of reserves in the annual financial statements, providing clear information on the levels of general, CIL, and S106 reserves, as well as how they have been used or allocated during the year.

10. Policy Adoption and Review

This Reserves Policy was adopted by Harpole Parish Council on 9th May 2023 and will be reviewed every 3 years or sooner if required by changes in legislation or financial circumstances.

This policy ensures that Harpole Parish Council manages its reserves prudently, maintaining financial stability while fulfilling its responsibilities to the community.

Adopted – 9th May 2023

Reviewed and readopted: 7th September 2026

Next Review September 2028