Reserves Policy

1. Purpose of the Policy

The purpose of this Reserves Policy is to ensure that Lytchett Matravers Parish Council (the Council) maintains adequate financial reserves to meet both known and unforeseen expenditure, thereby safeguarding the Council's financial stability and ability to deliver services. This policy supports the Council in meeting its responsibilities under the Local Government Act 1972, the Accounts and Audit Regulations, and guidance from the Joint Panel on Accountability and Governance (JPAG). It should be read in conjunction with the Council's **Internal Control Policy**, which outlines the overall framework for financial management and risk mitigation.

2. Scope

This policy applies to all funds held by the Council, including general reserves and earmarked reserves, and complements the internal controls and financial procedures set out in the Internal Control Policy.

3. Definitions

- **General Reserves:** Unrestricted funds available for general use to cover unforeseen events, emergencies, or temporary shortfalls in income.
- **Earmarked Reserves:** Funds set aside for a specific purpose or project, such as building repairs, elections, or community initiatives.

4. Responsibilities

4.1 Full Council

- Approve the level of reserves annually.
- Review the reserves policy at least once a year.
- Ensure that reserves are adequate to meet both known commitments and potential risks.
- Monitor compliance with the Internal Control Policy regarding financial management and reporting.

4.2 Responsible Financial Officer (RFO)

- Monitor the Council's reserves and recommend adjustments as necessary.
- Report the level of reserves to the Council as part of the annual budget process and financial reporting.
- Ensure that all reserve transactions comply with the controls outlined in the Internal Control Policy.

5. General Reserves

- The Council will maintain a general reserve of at least **three to six months of net revenue expenditure**.
- The exact level will be reviewed annually, taking into account:
    - Potential risks and liabilities identified in the Internal Control Policy

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- Revenue volatility
- Contingency needs for emergencies

6. Earmarked Reserves

- The Council will establish earmarked reserves for known or predicted future expenditure.
- Each earmarked reserve will have a clear purpose, estimated cost, and anticipated date of use.
- Earmarked reserves may include, but are not limited to:
  - Building maintenance and refurbishment
  - Elections
  - Community projects and grants
  - Equipment replacement
  - Legal or consultancy costs
- The creation and use of earmarked reserves will follow the approval and reporting procedures set out in the Internal Control Policy.

7. Use of Reserves

- Reserves will only be used for their intended purpose.
- Any use of reserves must be approved by the Council and clearly minuted.
- The RFO will monitor the use of reserves and report to Council regularly, following the reporting standards in the Internal Control Policy.

8. Review and Reporting

- The level of reserves and this policy will be reviewed annually as part of the budget process.
- The Council will consider internal and external audit recommendations regarding reserves.
- Any significant changes in financial risk, planned projects, or legislation may prompt a review outside the normal annual cycle.
- Reporting will align with the monitoring and internal audit practices set out in the Internal Control Policy.

9. Governance

- Reserves management will be conducted in accordance with the Council's **Financial Regulations** and **Internal Control Policy**.
- The Council will ensure transparency and accountability in the creation, use, and reporting of reserves.

Adopted by Lytchett Matravers Parish Council: 25th February 2026

Minute Reference: 5.3 **Next Review Date: March 2027**

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