FORNHAM ST MARTIN CUM ST GENEVIEVE PARISH COUNCIL
Reserves Policy

1. **Purpose of the Reserves Policy**
   This policy outlines the Parish Council's approach to the management and use of its financial reserves. The purpose of the policy is to ensure that the Council maintains appropriate levels of reserves, with clear guidelines for how and when these reserves can be used to meet future needs.

2. **Definition of Reserves**
   Reserves are funds held by the Parish Council that are set aside for specific or general purposes. These funds are not part of the Parish Council's regular annual budget but are held to cover unexpected events, emergencies, or long-term projects.

3. **Types of Reserves**
   The Parish Council holds two types of reserves:

   - **General Reserve:** A general-purpose fund that can be used to cover unanticipated costs, or to smooth over fluctuations in income and expenditure.
   - **Earmarked Reserves:** Funds set aside for specific purposes, such as a major repair project, infrastructure improvements, or any other identified priority.

4. **Reserves Level and Target**
   The Parish Council shall maintain a minimum level of reserves, which will be reviewed annually.

   - **General Reserve Target:** The target for the General Reserve will be 6-9 months of operating expenditure.
   - **Earmarked Reserves:** These will be set aside for specific projects, and the balance will be reviewed regularly to ensure it is still appropriate for the intended use.

5. **Use of Reserves**
   Reserves should only be used for the following purposes:

   - To cover unexpected or urgent expenditure, such as emergencies or unbudgeted projects.
   - To fund capital projects that will enhance the assets of the Parish, such as repairs or upgrades to buildings, parks, and infrastructure.
   - To smooth out fluctuations in annual income and expenditure.

6. **Process for Approving the Use of Reserves**
   The use of reserves must be authorised by the full Parish Council, typically through a formal resolution.

   - **For General Reserves:** Any use of the General Reserve should be fully justified, and the Council must ensure that sufficient reserves remain to meet future obligations.
   - **For Earmarked Reserves:** The use of earmarked reserves must align with the specific purpose for which the funds were set aside.

7. **Review of Reserves**
   The Parish Council will review its reserves annually as part of the budget-setting process. This review will consider:

   - The current balance of reserves.
   - The anticipated financial needs of the Parish over the coming year.
   - Any changes in risk or expenditure requirements that might affect the reserve levels.
   - The adequacy of the reserve levels against the Parish's financial position and future commitments.

8. **Reporting and Transparency**
   The Parish Council will ensure that there is transparency in the management of reserves by:

   - Providing a summary of the reserves in the annual budget, and clearly stating the purpose and planned use of earmarked reserves.
   - Including figures in the Clerk/RFO's quarterly and end of year finance reports.
   - Movement in Earmarked Reserves and General Reserves shall be reported to the Parish Council at at monthly meetings if required.

9. **Risk Management**
   The Parish Council recognises the importance of reserves in managing financial risk and ensuring continued service delivery. The policy will ensure that reserves are used responsibly, and the Council will maintain flexibility in response to financial challenges or unforeseen events.

10. **Amendments to the Reserves and Investments Policy**
    Any amendments to this policy must be approved by the full Parish Council and will be reviewed annually to ensure it remains in line with the Parish's financial objectives and needs.