

Reserves Policy

Newport & Carisbrooke Community Council

Purpose of Reserves

It is essential that the Council maintains adequate reserves to:

- Finance day-to-day operations
- Provide for future planned expenditure
- Protect against unforeseen events

Reserves are held in two categories:

1. General Reserves
2. Earmarked (or Specific) Reserves

The Responsible Financial Officer (RFO) is tasked with advising on the prudent level of reserves. The Council will maintain and manage reserves in accordance with the Smaller Authorities Proper Practices Panel (SAPPP) Practitioners' Guide.

General Reserves

Definition and Purpose:

General Reserves represent the Council's working balance, held to:

- Ensure adequate cash flow
- Provide contingency for unforeseen expenditures or emergencies
- Address short-term loss of income (excluding precept)
- Meet unexpected inflation or cost increases

Recommended Level:

In line with the Smaller Authorities Proper Practices Panel (SAPPP) the accepted recommended level of General Reserves is between 3 to 12 months of net revenue

expenditure. The actual amount held will depend on the size, nature, and risk exposure of the council.

Council Policy:

Newport & Carisbrooke Community Council will aim to maintain General Reserves equivalent to three months of net revenue expenditure. This will be reviewed annually during the budget-setting process to ensure the reserve level remains appropriate.

Earmarked Reserves

Definition and Purpose:

Earmarked Reserves (EMRs) are funds set aside for specific, identifiable purposes or projects. There is no upper or lower limit on these reserves, provided they meet the following criteria:

- Held for legitimate, clearly defined purposes
- Clearly identified and documented
- Reviewed regularly for relevance and adequacy

Governance and Review:

- All EMRs will be reviewed annually as part of the budget-setting process.
- EMRs are administered by the relevant committee in consultation with the RFO.
- Changes (virements) to the use of EMRs must be agreed by [the relevant committee]/[Full Council on the recommendation of the relevant committee].
- The creation of and additions to EMRs are carried out by the RFO.
- Where an EMR is identified as no longer required between annual reviews this will be reported to Full Council for determination of its subsequent allocation.
- The RFO is authorised to incur expenditure from EMRs as necessary, in accordance with the purpose for which the reserve was established.

Key Controls

To ensure proper management of reserves, the Council will:

- Maintain all reserves in accordance with the JPAG Practitioners' Guide
- Clearly identify the purpose, usage, and basis of transactions for each reserve
- Ensure reserves are used only for their intended purposes.