



Newport Parish Council – Reserves Policy

1. Purpose of the Policy

The purpose of this policy is to set out a clear and transparent framework for the management and maintenance of reserves held by Newport Parish Council, in accordance with the principles of sound financial management and accountability.

2. Types of Reserves

Newport Parish Council may hold reserves for the following purposes:

- General Reserves:

These are held to cushion the impact of uneven cash flows, to meet unexpected expenditure, or to cover emergencies.

- Earmarked Reserves:

These are held for specific purposes and projects, such as capital expenditure or known future liabilities. They may be built up over a period of time to spread the cost or provide for anticipated commitments.

3. Recommended Reserve Levels

- The Council will aim to maintain general reserves equivalent to between 3 and 12 months of gross revenue expenditure, in line with guidance issued by the Joint Panel on Accountability and Governance (JPAG).

- As a benchmark, general reserves should be no more than 200% of the annual precept, unless exceptional circumstances apply and are documented.

- Earmarked reserves may be held in addition to general reserves, and their purpose and planned use will be clearly identified in the Council's budget documentation.

4. Justification for Holding Reserves Above 100% of Precept

While some sector guidance suggests 100% of precept as a maximum, the Council recognises that:

- It is a small authority with limited income sources.

- Volatility in costs and potential future liabilities may justify a higher level of reserves.

- Maintaining a prudent buffer reduces the need for sudden or significant precept increases, supporting long-term financial stability.

5. Review and Reporting

- Reserves will be reviewed annually as part of the budgeting and year-end accounting process.
- The level and purpose of all reserves will be clearly reported to councillors and minuted.
- If general reserves exceed 200% of the precept, a written explanation will be prepared for external audit, outlining the justification and planned use of surplus funds.

6. Policy Review

This policy will be reviewed annually by the Council as part of the financial year-end process or sooner if required by material changes in guidance or circumstances.

Adopted: 12th May 2026

Minute Reference: 2026 05 12

Next Review: May 2027