RESERVES POLICY

1. Purpose and Legislative Framework

Winterbourne Parish Council (the Parish Council) is required to maintain adequate financial reserves to meet foreseeable needs and commitments and to ensure that sufficient funds are available to respond to unexpected events and emergencies.

Sections 32 and 43 of the Local Government Finance Act 1992 require the Council, when calculating its budget requirement, to have regard to the level of reserves needed for meeting estimated future expenditure.

This policy has been prepared with regard to the National Association of Local Councils (NALC) Model Financial Regulations (England), the Smaller Authorities Proper Practices Panel (SAPPP) Practitioners' Guide 2026/27, and the Council's Financial Regulations. The Practitioners' Guide is the applicable statement of proper practices for the 2026/27 financial year.

The Council will review its reserves at least annually as part of the budget-setting process and whenever significant changes in financial circumstances, risk or planned expenditure occur.

2. Purposes of Reserves

The Parish Council will maintain reserves for three principal purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
- A contingency to cushion the impact of unexpected events or emergencies.
- A means of building up funds to meet known or predicted requirements, liabilities and projects.

3. General Reserve

The General Reserve is the Council's non-earmarked reserve. It provides working capital and a contingency against unexpected expenditure, unforeseen events, inflationary pressures, changes in income and other unusual circumstances.

The Council will determine the appropriate level of General Reserve by reference to its size, financial responsibilities, income and expenditure profile, identified risks and forward plans. In accordance with the Practitioners' Guide, the generally accepted minimum range for a smaller authority's General Reserve is between three and twelve months of net revenue expenditure. The Council's adopted target will be reviewed annually and supported by the Council's risk assessment and budget calculations.

The Council will not use General Reserve as a substitute for proper budgeting. Where reserves are significantly above or below the Council's agreed target, the annual budget report should explain the reason and, where appropriate, identify a plan to restore reserves to the desired level.

Factors considered when setting the General Reserve will include, as applicable:

- Salary and employment commitments.
- Contractual and statutory obligations.
- Variations in income, including income below budget.
- Insurance excesses and other uninsured risks.
- Emergency or unforeseen expenditure.
- Known timing differences between receipts and payments.

4. Earmarked Reserves

Earmarked Reserves (EMRs) are sums set aside from General Reserve for genuine and identifiable purposes, projects or liabilities. They are not part of the General Reserve and should be separately identified in the Council's accounting records.

Examples may include:

Each Earmarked Reserve will have a clearly defined purpose, an estimated amount required, and, where practicable, an anticipated date or trigger for use. The Responsible Financial Officer (RFO) will maintain a central schedule of all EMRs and will report movements to the Council.

There is no prescribed upper or lower limit for Earmarked Reserves. However, each reserve must have a genuine and identifiable purpose and its level must be reviewed and justified at least annually and as part of budget setting. Significant or unexplained EMRs may be subject to scrutiny by the internal or external auditor.

Earmarked Reserves should not normally be used to fund ongoing expenditure. They may, where properly justified, be used for the specific purpose for which they were established, including planned projects, known liabilities, unexpected cost increases associated with that purpose, or temporary cash-flow requirements.

- Projects identified by the Parish Council, such as replacement of buildings, play equipment or street furniture.
- Future election costs.
- Devolution or transfer of services.
- Known or predicted liabilities and major repairs.
- Other specific projects or commitments approved by the Parish Council.

5. Creation, Amendment and Use of Reserves

The Parish Council will approve the creation, amendment, transfer or closure of Earmarked Reserves, unless authority has been properly delegated through the Council's Financial Regulations.

The use of General Reserve or an Earmarked Reserve must be authorised in accordance with the Council's Financial Regulations and recorded in the minutes or financial records as appropriate.

Where a project or liability has been completed or discharged, any remaining balance in the associated Earmarked Reserve will be reviewed. The Council may return an unneeded balance to General Reserve or allocate it to another properly identified purpose, subject to Council approval.

If General Reserve is temporarily insufficient because of significant unforeseen expenditure, the Council may consider whether an appropriate Earmarked Reserve can be released, provided this is consistent with the purpose of that reserve and the Council formally approves the movement.

6. Management, Monitoring and Reporting

The RFO will maintain accurate records of General and Earmarked Reserves and will ensure that reserve movements are reflected in the Council's accounts.

Reserve balances and movements will be reported to the Parish Council as part of the regular financial reporting cycle and reviewed in detail during the annual budget-setting process.

The annual review will consider:

The Council will ensure that the level and rationale for its reserves can be clearly demonstrated to members, auditors and the public.

- The purpose and balance of each Earmarked Reserve.
- Whether the General Reserve remains within the Council's agreed target range.
- Material changes to the Council's risk profile or financial commitments.
- Whether any reserve should be increased, reduced, closed or re-purposed.
- Whether the level of reserves remains reasonable in relation to the Council's budget and risk assessment.

7. General Principles

The Council will not accumulate reserves without a clear and demonstrable purpose. Reserves must be proportionate to the Council's financial responsibilities and risks.

The Council's precept will be set having regard to planned expenditure, expected income, the agreed level of General Reserve, the purpose and timing of Earmarked Reserves, and the Council's risk assessment.

Nothing in this policy removes the Council's responsibility to comply with its Financial Regulations, statutory duties, proper practices, audit requirements or other applicable legislation.

8. Review and Approval

This policy will be reviewed annually, normally as part of the budget-setting process, and sooner if there are material changes to legislation, proper practices, NALC guidance, the Council's Financial Regulations or the Council's financial circumstances.

The Finance and General Purposes Committee may review and recommend amendments, but the policy must be approved by the full Parish Council.

9. Reference Documents

- NALC Model Financial Regulations (England), March 2025.
- Smaller Authorities Proper Practices Panel (SAPPP), Practitioners' Guide 2026/27.
- Local Government Finance Act 1992, sections 32 and 43.
- Accounts and Audit Regulations 2015, as amended.
- Winterbourne Parish Council Financial Regulations (current adopted version).

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