



Reserves Policy

Agreed Minute 49/25 March 2025

Introduction

Sunningwell Parish Council is required to maintain adequate financial reserves to meet the needs of the organisation. The purpose of this policy is to set out how the Council will determine and review the level of reserves.

The Joint Panel on Accountability and Governance Practitioners Guide (JPAG) (March 2024 edition) advises: “As with any financial entity, it is essential that authorities have sufficient reserves (General and Earmarked) to finance both its day-to-day operations and future plans. Smaller authorities have no specific right to accumulate funds via the precept. All reserves should be reviewed and justified regularly (i.e. at least annually). It is good practice to transparently publish both the level and rationale of all reserves”.

Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. However, there is no specific minimum level of reserves which an authority should hold, and it is the responsibility of the Responsible Financial Officer to advise the Parish Council about the level of reserves and to ensure that there are procedures for their establishment and use.

Types of Reserves

Reserves are categorised as either General or Earmarked.

General Reserves

General Reserves are, following JPAG, “contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances”. JPAG (March 2024 edition) advises: “The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority’s General Reserve is that this should be maintained at between three (3) and twelve (12) months Net Revenue Expenditure (NRE)” and “The smaller the authority, the closer the figure should be to 12 months expenditure”.

Earmarked Reserves ‘EMR’s

EMRs must be held for genuine and intended purposes and their level should be subject to annual review and justification. They should be separately identified to prevent query from internal and external auditors.

EMRs are held for several reasons and shall only be used for the purpose for which they were created, for example:

Renewals - to enable the planning and financing of an effective program of equipment replacement and property maintenance/refurbishment. The funds required are built up incrementally over several years when considering asset conditions and asset life. They are a mechanism to smooth expenditure without the need to vary budgets.

Carry forward of underspend on an uncompleted project – expenditure committed to a project but not spent in the budget year. Reserves can be used as a mechanism to carry forward those resources.

Developers Contributions – proceeds from developers which can only be used for specified purposes. Other Earmarked Reserves – these may be set up from time to time to meet known or predicted liabilities.

Where the purpose of an Earmarked Reserve becomes obsolete, or where there is an overprovision of funds, the excess may, on the approval of the Parish Council, be transferred to other budget headings within the revenue budget, to General Reserves or to one or more other Earmarked Reserves.

EMRs will be established on a “needs” basis in line with anticipated requirements and these are to be reviewed annually when the budget is agreed.

Any decision to set up an EMR must be approved by Parish Council. If the EMRs are used to meet short term funding gaps, they must be replenished in the following financial year. However, EMRs which have been used to meet a specific liability would not need to be replenished, after having served the purpose for which they were originally set up.

Management and Control of Reserves

Movements in Earmarked Reserves and General Reserves shall be reported to the Parish Council as part of the quarterly Budget to Actual Report and at monthly meetings if required. The use of Reserves shall be approved by the Parish Council.

The level of General Reserves shall be reviewed on an annual basis during the annual budgetary review and agreed by the Parish Council. The minimum level of General Reserves shall be recommended to the Parish Council by the Responsible Financial Officer. This will form part of the recommendations for the Annual Budget and Precept request by the Parish Council.

The current level of General Reserves to be held by the Council will be raised to between six and twelve months of predicted expenditure over time as funds permit and then maintained in this range.

Earmarked Reserves shall be reviewed on an individual basis. This review will also be undertaken as part of the Annual Budgetary Review. Approval for the creation, amendment, cessation or continuation of Earmarked Reserves will be given by the Parish Council.

Reserves for Financial Year 2025/26

General Reserve

Sunningwell Parish Council Net Revenue Expenditure is budgeted to be £28,000 in 2025/26. In accordance with this policy the General Reserve should therefore be between £14,000 and £28,000. The limited funds currently available to the council dictate that the General Reserve be set somewhat lower, and a value of £12,000 is allocated for 2025/26.

Earmarked Reserves

Earmarked reserves in the 2025/26 budget are:

Playground replacement	£21,610
Village Green Wall rebuild	£5,000
Repair to flood control dams	£5,000
4 x Defibrillator replacement	£6,500
4 x Speed indicator replacement	£1,000

The above levels of reserves were agreed and this document adopted by the Parish Council at the meeting on the 27 March 2025, to be reviewed again in a year's time when setting the budget for the financial year 2026/27.