



Essington Parish Council Reserves Policy

1. Introduction

Essington Parish Council is required to maintain adequate financial reserves to meet the needs of the organisation and to ensure financial security. The purpose of this policy is to set out how the Council will determine and review the level of 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 specified minimum level of reserves that an authority should hold, and it is the responsibility of the Responsible Financial Officer to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use.

2. Types of Reserves

Reserves can be categorised as general or earmarked.

3. General Reserves

General Reserves are funds which do not have any restrictions as to their use. These reserves can be used to smooth the impact of uneven cash flows, offset the budget requirement if necessary or can be held in case of unexpected events or emergencies.

The primary means of building general reserves will be through an allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves that have been spent in the previous year.

Setting the level of General Reserves is one of several related decisions in the formulation of the annual budget.

If in extreme circumstances General Reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Council would be able to draw down from its earmarked reserves to provide short term resources.

Even at times when extreme pressure is put on the Council's finances the Council must keep a minimum balance sufficient to pay one month's salaries to staff in General Reserves at all times.



JPAG Practitioners' Guide 2023 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 and twelve months of net revenue expenditure.

The smaller the authority, the closer the figure may be to 12 months expenditure, the larger the authority, the nearer to 3 months. In practice, any authority with income and expenditure in excess of £200,000 should plan towards 3 months equivalent general reserve.

4. Earmarked Reserves

Earmarked reserves can be held for several reasons:

- Renewals – to enable the council to plan and finance an effective programme of equipment and infrastructure replacement and planned property maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.
- Carry forward of underspend – expenditure committed to projects but not spent in the budget year. Reserves are used as a mechanism to carry forward these resources.
- Developers' contributions (S106 & CIL) – proceeds from developers which can only be used for specific purposes.
- Other earmarked reserves may be set up from time to time to meet known or predicted liabilities.

Earmarked reserves will be established on a “needs” basis, in line with anticipated requirements.

Any decision to set up a reserve must be made by the Council.

Expenditure from reserves can only be authorised by the Council.

Reserves should not be held to fund on-going expenditure. This would be unsustainable as, at some point, the reserves would be exhausted. To the extent that reserves are used to meet short term funding gaps, they must be replenished in the following year. However, earmarked reserves that have been used to meet a specific liability would not need to be replenished, having served the purpose for which they were originally established.

All Earmarked Reserves are recorded on a central schedule held by the Responsible Financial Officer which lists the various Earmarked Reserves and the purpose for which they are held.



5. Current Level of Financial Reserves

The level of financial reserves held by the council will be agreed by the Parish Council during the discussions held regarding the setting of the budget for the next financial year.

The current level of general reserves to be held by the council is between five and twelve months of the annual precepted figure.

Five months of the total precept of £146,041 is £60,850 in the financial year 2024/25. The Council agreed to the following levels of earmarked reserves:

Earmarked Reserves	Amount
Remembrance Garden	£ 20,443.00
Elections	£ 2,500.00
Preschool Grant	£ 10,029.15
Tree Maintenance	£ 20,000.00
Heritage Asset Fund	£ 10,000.00
TOTAL	£ 62,972.15

The above levels of reserves were agreed and this document adopted by the Parish Council at the meeting on the 26th February 2024, to be reviewed again in a year's time when setting the budget for the financial year 2025/26.