Adopted: 17th July 2025
Review date: 17th July 2028

**Reserves Policy**

**1. Introduction**

Neatishead Parish Council is required to maintain adequate financial reserves to meet the needs of its operations and to ensure financial stability. This policy sets out how the Council will determine, use and review both general and earmarked reserves.

The **2025 Practitioners' Guide**, issued by the **Smaller Authorities Proper Practices Panel (SAPPP)** and applicable from 1 April 2025, provides the relevant framework for smaller authorities. It states:

"Authorities must have sufficient, but not excessive, reserves (both General and Earmarked) to finance operations and meet future planned expenditure. Because these are funded through public money, the purposes and amounts must be proportionate and clearly justified."

There is no statutory minimum reserve level; however, the Responsible Financial Officer (RFO) must advise the Council on the adequacy of reserves each year when setting the budget.

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**2. Types of Reserves**

Reserves held by the Parish Council may be categorised as:

- **General Reserves** (held to cushion day-to-day operations and unforeseen events)
- **Earmarked Reserves (EMRs)** (held for specific, known purposes)

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**3. General Reserves**

**3.1 Definition**

General reserves are not allocated for specific purposes. They are maintained to:

- Cushion the impact of uneven cash flows
- Offset the budget requirement in the event of a shortfall
- Provide a contingency for unexpected events or emergencies

**3.2 Recommended Level**

In line with the 2025 SAPPP Guide, smaller authorities should hold general reserves between three and twelve months of net revenue expenditure. The smaller the authority, the closer the reserve should be to 12 months.

Given Neatishead Parish Council's size and £16,400 forecast expenditure, the Council will maintain general reserves equal to approximately six months of anticipated expenditure, £8200 (as at 2025-2026).

### 3.3 Building Reserves

General reserves will primarily be built up through:

- Annual budget allocations
- Underspends on completed projects

Where general reserves are used in-year due to emergencies or unexpected costs, they will be replenished as a priority in the following year's budget.

### 3.4 Use and Approval

Use of general reserves must be approved by resolution of the Parish Council. They must not be used to fund ongoing expenditure unless as a short-term bridging measure.

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## 4. Earmarked Reserves (EMRs)

### 4.1 Definition

Earmarked reserves are held for specific and justified purposes. EMRs may include:

- **Renewals Reserve** – for planned asset replacement or refurbishment
- **Carry-forward Projects** – for underspend on ongoing or committed projects
- **Developer Contributions** – to be used in accordance with Section 106 or CIL agreements
- **Other EMRs** – established from time to time to meet known or predicted liabilities

EMRs will be separately identified and reported to avoid challenge from internal or external audit.

### 4.2 Establishing EMRs

EMRs will only be created by resolution of the Parish Council. The purpose, expected use and funding mechanism must be clearly documented. Where reserves become obsolete or are over-provided, funds may be reallocated to other EMRs, the general reserve, or released into the revenue budget.

### 4.3 Use and Replenishment

Funds may only be used for the purpose they were originally intended unless reallocated by Council resolution. EMRs used to meet short-term gaps must be replenished in the following financial year. Those used to meet a specific one-time liability need not be replaced.

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## 5. Management and Control of Reserves

- The RFO will report movements in reserves to the Council as part of the Budget vs Actual reports and at monthly meetings, if required.
- All uses of reserves (general or earmarked) must be authorised by Council resolution.
- The level and purpose of each earmarked reserve will be reviewed annually during the budget-setting process.

- The RFO will recommend the appropriate level of general reserves each year as part of the budget and precept proposal.

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**6. Transparency**

- Reserve balances will be published annually in the Council's financial statements.
- A breakdown of earmarked reserves, with opening and closing balances and in-year movements, will be maintained and made available on request.

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**7. Review**

This policy will be reviewed every 3 years, or earlier if required due to legislative or guidance changes.