SMANNELL PARISH COUNCIL

RESERVE POLICY STATEMENT

1. Introduction
Smannell Parish Council is required to maintain adequate financial reserves to meet the needs of its organisation and to ensure financial security. This policy sets out how the council will determine and review the level of its reserves.

The Joint Panel on Accountability & Governance Practitioners Guide (JPAG – March 2021 edition) advises:

‘As with any financial entity, it is essential that authorities have sufficient reserves to finance both its day to day operations and future plans. It is important, however, given that its funds are generated from taxation/public levies, that such reserves are not excessive.’

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.

2.1 General Reserves
General reserves are funds which do not have any restrictions on their use. They cushion the impact of uneven cash flows, offset budget requirements if necessary or can be held in case of unexpected events or emergencies. Setting the level of the general reserves is agreed as part of the annual budget process.

JPAG (March 2021 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)…The smaller the authority, the closer the figure should be to 12 months NRE, the larger the authority the nearer to 3 months. In practice, an authority with an NRE in excess of £200,000 should plan on 3 months equivalent General Reserve.’

The primary means of building general reserves will be through a reallocation of funds (underspend on a completed project) and allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves which have been spent in the previous year. Any surplus on the general reserve at the end of the year may be used to fund capital expenditure, be appropriated to earmarked reserves, or used to limit any increase in the precept.

2.2 Earmarked Reserves (EMRs)
EMRs must be held for genuine and intended purposes of expenditure which the council considers likely to be required in the future and greater than that which can be funded from a single year’s budget. 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:

• Renewals – to enable the planning and financing of an effective programme of equipment replacement and property maintenance/refurbishment. The funds required are built up incrementally over several years when taking into account asset conditions and expected life. They are a mechanism to smooth expenditure without the need to vary budgets.
• Carry forward 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 (Sec 106 & CIL) – proceeds from developers which can only be used for specific purposes.
• Other earmarked reserves – these may be set up from time to time to meet known or predicted liabilities.

Where the purpose of an EMR becomes obsolete, or where there is an over-provision of funds, the excess may, on the approval of the parish council, be transferred to other budget headings within the revenue budget.
EMRs will be established on a 'needs' basis in line with anticipated expenditure and these are to be reviewed annually and agreed by the council as part of the budget process.
Any decision to set up an EMR must be approved by the 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.

3. Management and Control of Reserves
Movements in EMRs must be reported to the parish council as part of the monthly budget report. 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 budget process and agreed by the parish council. reserves to be held by the council is set to between 6 and 12 months of predicted expenditure. EMRs shall be reviewed on an individual basis. This review will also be undertaken as part of the annual budgeting process. The approval for the creation, amendment, cessation or continuation of EMRs will be given by the parish council.

4. Financial Reserves as at 31 March 2025.

Earmarked Reserves, Amount and Reason

- The brought forward reserve balance for 2024/2025 is £34.111 following the earmarked reserves ring-fenced balance of £14.807. This has been reached by bringing forward the 2023/2024 balance of £48.918 LESS earmarked reserves of £14,807 = £34,111.

- No earmarked reserves agreed towards capital projects at the present time. All capital projects have been separately budgeted. To be reviewed for consideration for the financial year 2026/2027.

Total Earmarked Reserves for 2025/2026 - NIL
Total to General Reserves as at 31 March 2026, expected to be - £34.111

The policy to be reviewed on an annual basis.

Policy agreed as at March 2025 at the Parish Council Meeting held 3 March 2025.

Kevin Glyn-Davies
Parish Clerk
Smannell Parish Council
March 2025