Appleford-on-Thames Parish Council – Reserves Policy

1. **Purpose**

1.1 The 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.

1.2 The Local Government Finance Act 1992 (as amended requires) 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 must hold. 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.

1.3 Reviewing the Council's Financial Risk Assessment is part of the budgeting and year end accounting procedures and identifies planned and unplanned expenditure items and thereby indicates an appropriate level of Reserves.

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

1.5 Expenditure from reserves can only be authorised by the Council

1.6 Reserves can be categorised as 'general' or 'earmarked'

2. **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 a budget requirement if necessary or can be held in case of unexpected events or emergencies.

2.1 The level of general reserves is a matter of judgement and so this policy does not attempt to prescribe a blanket level. 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 consumed in the previous year.

2.2 Setting the level of general reserves is one of several related decisions in the formulation of the medium-term financial strategy and the annual budget. The

Council must build and maintain sufficient working balances to cover the key risks it faces, as expressed in its financial risk assessment.

2.3 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.

2.4 Even at times when extreme pressure is put on the council's finances the council must always keep in general reserves a minimum balance sufficient to pay staff during any notice period to terminate employment and any redundancy pay which may become due.

3. **Earmarked reserves** (sometimes called 'special') are created and held for a specific purpose.

3.1 Earmarked Reserves can be held for several reasons including:

3.1.1 Renewals – to enable the Council to plan and finance an effective programme of equipment 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.

3.1.2 Carry forward of underspend - some services commit expenditure to projects which cannot be spent in the budget year. Reserves are used as a mechanism to carry forward these resources.

3.1.3 Other earmarked reserves - may be set up from time to time to meet known or predicted liabilities and may include an insurance reserve to enable the Council to meet the excesses of claims not covered by insurance.

3.1.4 Monies received for a specific use - which must be accounted for separately and returned if not so used. Examples include grant money, CIL and Section 106 money.

3.2 Earmarked Reserves will be established on a "needs" basis, in line with anticipated requirements.

3.3 Earmarked Reserves should not be held to fund ongoing 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.

3.4 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.

4. **Current level of financial reserves**

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

4.2 The current level of general reserves to be held by the council is at least 50% of the annual precepted figure.

Adopted: 8 December 2025 Review due December 2027