

BORDEN PARISH COUNCIL RESERVES POLICY

Policy adopted on: 18/12/2025 Minute ref: 145C(iii)

1. Introduction

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, manage, 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 to meet estimated future expenditure when calculating the budget requirement. There is no specified minimum level of reserves; it is the responsibility of the Responsible Financial Officer (RFO) to advise the Council on the level of reserves and ensure appropriate procedures are in place for their establishment and use.

Current reserve balances are reported separately within the Council's routine financial statements and during the annual budget-setting process.

2. Types of Reserves

2.1 General Reserves¹

General Reserves are funds which do not have any restrictions on their use. They may be used to smooth uneven cash flows, offset the budget requirement when necessary, or provide resources for unexpected events or emergencies.

The level of General Reserves is determined by the Council, based on its financial risk assessment and medium-term financial planning. The primary method of building General Reserves is through allocations in the annual budget.

The Practitioner Guide 2025 (point 5.34) states: *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.*

Even during periods of financial pressure, the Council must maintain General Reserves sufficient to meet at least one month's staff salary commitments.

2.2 Earmarked Reserves

Earmarked Reserves are funds set aside for specific purposes. They may be established for:

- Renewals: planned replacement of vehicles, equipment, infrastructure, or property.
- Carry-forward of underspends: for projects where expenditure is committed but not completed in the year.

¹ Information for this policy was sourced from SLCC and the Practitioners Guide 2025.

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- Insurance purposes: to cover excesses or claims not met by insurers.
- Other known or predicted liabilities: created as necessary to meet identified risks or commitments.

Earmarked Reserves are set up on a needs basis following a decision of the Council. Expenditure from these reserves must also be authorised by the Council.

Earmarked Reserves must not be used to support ongoing operational expenditure. If reserves are used to address a short-term funding gap, they must be replenished in the following financial year. Reserves used for their intended purpose do not need to be replaced.

3. Management and Review of Reserves

All reserves are recorded and monitored by the RFO using the Council's financial accounting system.

Earmarked Reserves, their balances, and their purposes are reviewed regularly by Full Council as part of monthly financial reporting.

The Council's Financial Risk Assessment, undertaken during the budget-setting and year-end processes, identifies planned and unplanned expenditure items and helps determine the appropriate level of reserves.

In exceptional circumstances where General Reserves fall to critically low levels, the Council may draw temporarily on Earmarked Reserves to provide short-term resources.

4. Policy Review

This policy will be reviewed annually or more frequently if required by changes in legislation, guidance, or the financial circumstances of the Council.