



Reserves Policy

November 2025

1. Purpose

- 1.1. The Sampfords Parish Council is required to maintain adequate Financial Reserves to meet the needs of the Parish Council. The purpose of this policy is to set out how the Council will determine and review the level of reserves.
- 1.2. 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. The Governance and Accountability for Smaller Authorities in England, A Practitioners Guide (March 2022) sections 5.30 to 5.38 advises that this should be considered as part of the annual budgeting process.

Local authorities must plan to hold adequate level of funds in reserve for a variety of reasons which are described in the next section.

The minimum level of reserves is determined by the level of annual budget, size of parish, history of unexpected expenditure, and 3-year financial forecast being in place and monitored on a regular basis. A review of the level of reserves will be undertaken by the internal auditor annually.

The larger the authority, typically with a net revenue expenditure (NRE) of £200,000, the lower the level of reserves requirement, 25% to 50% of NRE, whereas smaller authorities are expected to maintain between 75% and 125% of NRE.

It is the responsibility of the Responsible Financial Officer (RFO) to advise the Parish Council about the level of reserves on a regular basis and to ensure that there are procedures for their establishment and use.

2. Type of Reserves

Typically reserves fall into 2 categories, earmarked and general reserves.

2.1. Earmarked Reserves

Earmarked reserves can be held for several reasons and shall only be used for the purpose for which they are created. Earmarked reserves must be agreed by full council and minuted accordingly and should be reviewed on a quarterly basis.

When the purpose of an earmarked reserve becomes obsolete, or where there is an over-provision of funds, the excess may, on the approval of the full Parish Council and minuted accordingly, be transferred to other budget headings within the revenue budget or to the general reserve, or to one or more other earmarked reserves.

- 2.1.1. Earmarked for specific purposes, such as grant allocation for a specific project.
- 2.1.2. Earmarked to allow the council to save each year for larger capital projects.
- 2.1.3. Earmarked to replace assets according to the asset register estimated asset lifespan



2.2. General Reserves

General reserves are funds which do not have any restrictions to their use. Where general reserves are used, it shall be replenished through the budget-setting process in the following year.

- 2.2.1. General revenue reserves for reasonable working capital.
- 2.2.2. Unexpected expenditure.
- 2.2.3. Uneven cashflow

3. Management and Control of Reserves

3.1. The RFO will prepare a draft budget for the full council's review and agreement, reflected in the minutes of a full council meeting. Variations between annual budgets shall be documented as part of the of budget process. The budget will cover amongst other items:

- 3.1.1. General running costs
 - 3.1.1.1. National Pay awards for staff
 - 3.1.1.2. Insurance
 - 3.1.1.3. Subscriptions and publication
 - 3.1.1.4. Rent
 - 3.1.1.5. IT infrastructure
 - 3.1.1.6. Audit and inspections
 - 3.1.1.7. Ongoing fees
- 3.1.2. Current and future planned activities
- 3.1.3. Councillor and staff training (including refresher training) and development
- 3.1.4. Capital projects
- 3.1.5. Replacement or repair of assets
- 3.1.6. Benefits to the community
 - 3.1.6.1. Grant allocations
 - 3.1.6.2. S137 allocations
- 3.1.7. Maintenance of open spaces
- 3.1.8. General parish maintenance

3.2. Reserve requirements

Excluding earmarked reserves and based on the forecast NRE over the next 3 years, The Sampfords Parish Council will target between 75% and 100% of NRE in general reserves.

Where the council holds significantly less than the recommended level of general reserves, it will make allowances to build up the reserves on time to minimise risk.

Based on current the significantly low levels of general reserves, the council will shall hold:

- 50% of NRE in general reserves for the financial year 2026-27

The Sampfords Parish Council



- 63% of NRE in general reserves for the financial year 2027-28
- 75% of NRE in general reserves for the financial year 2028-29

This will be reviewed by full council, as a minimum, annually and reflected in the council minutes. Any further increase in general reserves beyond 2028-29 will be considered at the time by full council.

Where the council holds significantly more than the recommended level of general reserves, it shall explain this at year end and during the audit process. It is considered unethical for parishioners to have to pay a tax which is not being used for the benefit of the community (JPAG).

3.3. Governance

The RFO will present a budget versus actuals report together with a variation report to the full council, as a minimum, on a quarterly basis. The quarterly report will also include a review of current levels and movements of both earmarked and general reserves, together with any proposals for reallocation of reserves where appropriate.

Approval request for the creation, amendment, cessation or continuation of earmarked reserves will be presented by the RFO to the Full Council.

Review of Policy

This policy will be reviewed annually as a minimum.

Sign off:

Sampfords Parish Council Chairman:

Date:

18/11/2025

Sampfords Parish Council RFO:

Date:

18/11/2025