Toppesfield Parish Council

Reserves Policy

Toppesfield 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.

The Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. However, legislation does not specify the minimum level of reserves that an authority should hold, meaning it is the responsibility of the Responsible Financial Officer to follow current best practice and advise the Council, whilst ensuring there are procedures to follow.

The Smaller Authorities' Proper Practices Panel (SAPPP) Practitioners Guide (2026/2027 edition) advises: '*As with any financial entity, it is essential that authorities have sufficient Reserves (General and Earmarked) to finance both their day-to-day operations and future plans. Smaller authorities have no specific right to accumulate funds via the precept. All reserves should be reviewed and justified regularly (i.e. at least annually). It is good practice to transparently publish both the level and rationale of all reserves.*'

Reserves fall into two categories – general or earmarked.

General Reserves
These are funds which do not have any restrictions to their use. These reserves can be used to smooth the impact of uneven cash flow, offset budget requirements if necessary or can be held in case of unexpected events or emergencies.

The Smaller Authorities' Proper Practices Panel (SAPPP) Practitioners Guide (2026/2027 edition) advises that: '*The generally accepted recommendation with regard to the appropriate minimum level of a Smaller Authority's General Reserves is that this should be maintained at between three- and twelve-months Net Revenue Expenditure (NRE). The smaller the authority the closer the figure may be to 12 months. In all of this, it is important that each authority adopt, as a general reserve policy, the level appropriate to their size, situation, risks and plan their budget so as to ensure that the adopted level is maintained.*' NRE is effectively Precept less any Loan Repayments and/or amounts included in Precept for Capital Projects and transfers to Earmarked Reserves.

The primary means of building General Reserves will be through a reallocation of funds (underspend on projects) and 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.

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

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sufficient working balances to cover the key risks it faces, as expressed in its financial risk assessment. The council's risk assessment can be found at: Toppesfield-pc.gov.uk in the policies section.
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.

Earmarked Reserves (EMRs)
These can be held for several reasons. The money is held for specific items of expenditure to meet known or predicted liabilities or projects. Earmarked Reserves can be used to 'smooth' the effects of certain expenditure commitments over a period of time, thereby reducing the impact of significant expenditure in any one year.
Typically, they are held for the following reasons:

- Renewals, e.g. equipment, planned property maintenance
- To carry forward an underspend where expenditure has been committed to a particular project that cannot be spent in year
- To enable the Council to meet the excess of claims not covered by insurance
- To indicate commitment to a capital project
- To meet known or predicted liabilities

Earmarked Reserves will be established on a 'needs' basis, in line with anticipated requirements, and must be held for a genuine and intended purpose. Any decision to set up a reserve must be made by the Council. Expenditure from reserves can only be authorised by the Council.

Reserves should not be held to fund on-going 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 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.
Earmarked Reserves should be separately identified and enumerated, and should be subject to annual review and justification.

General Power of Competence
Where the Council has adopted the General Power of Competence, it may undertake a wide range of activities for the benefit of its community, subject to the limitations set out in legislation.
The Council recognises that the exercise of the General Power of Competence should be supported by sound financial planning and effective management of reserves. Adequate reserves enable the Council to:

- support the delivery of new initiatives and community projects;
- fund feasibility studies, pilot schemes and one-off projects;
- meet the Council's contribution towards externally funded projects;
- manage financial risks arising from new services or activities;
- respond to unforeseen opportunities or emergencies; and
- ensure that commitments made under the General Power of Competence remain affordable and sustainable.

The existence of reserves does not, of itself, justify expenditure. Any proposal to use reserves in support of activities undertaken under the General Power of Competence shall be subject to the Council's normal decision-making processes, financial regulations, procurement requirements and budgetary controls.

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The Council will ensure that decisions to establish, maintain or utilise reserves are consistent with its annual budget, Risk Management Policy and statutory duties, thereby demonstrating that the exercise of the General Power of Competence is underpinned by prudent financial management.

Management of Reserves
The level of financial reserves held by the Council will be agreed by the Parish Council during the discussions held regarding the setting of the budget for the next financial year.

The current minimum level of General Reserves to be held by the Council is a minimum of six months Net Revenue Expenditure as defined above.

Predicted expenditure includes

- Staff salaries, pensions, and training
- Office and administration costs
- Insurance
- Maintenance of parks, play areas, open spaces
- Grants to local community groups
- Repairs and maintenance of council-owned buildings and assets
- Utilities (electricity, water, broadband, etc.)
- Professional fees (audit, legal advice)
- Election costs (if expected)

Creation of Earmarked Reserves
Proposals for the establishment of an earmarked reserve may be made by the Responsible Financial Officer or any councillor. Each proposal shall state the purpose of the reserve, the amount to be transferred, the intended period of use and any planned future contributions. The establishment of an earmarked reserve shall require approval by resolution of the full Council.

Review and Closure of Earmarked Reserves
The Responsible Financial Officer shall review all earmarked reserves at least annually and report to the Council on their continuing purpose and adequacy. Where an earmarked reserve has fulfilled its purpose, is no longer required, or has been fully utilised, the Responsible Financial Officer shall recommend its closure. Closure of an earmarked reserve shall require approval by resolution of the full Council. Any remaining balance shall be transferred to the General Reserve or another earmarked reserve as determined by the Council.

This policy will be reviewed on an annual basis to ensure these levels remain appropriate as changes in activity levels / range of services provided will inevitably lead to changes in the requisite minimum of General Reserves.

The Council will publish information on its reserves in accordance with the Local Government Transparency Code 2015 (where applicable) and any successor statutory transparency requirements applying to parish and town councils.

Earmarked reserves as of 1st April 2026

Toppesfield Playing Field Improvements	£12262
General improvements	£ 3500

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Total Earmarked Reserves	£15762

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