

Scotton Parish Council Reserves Policy 2026

1. Purpose of the Policy

This policy sets out how the Council will determine, manage, and review its financial reserves. Maintaining adequate reserves ensures the Council can:

- Provide financial stability and resilience
- Respond to unexpected events or emergencies
- Fund planned projects and asset replacement
- Demonstrate sound financial management and transparency

The policy is reviewed annually as part of the budget-setting process.

2. Legal and Regulatory Framework

The Local Government Finance Act 1992 requires councils to consider the level of reserves needed when setting the annual budget.

The JPAG Practitioners' Guide (2025/26) states that smaller authorities should hold general reserves between three and twelve months of net revenue expenditure, with smaller councils typically closer to twelve months due to limited income streams and higher vulnerability to unexpected costs.

3. Types of Reserves

3.1 General Reserve

The General Reserve is an unallocated balance used to:

- Manage cash flow
- Provide a contingency for emergencies
- Cover unexpected expenditure

The Council will normally maintain a General Reserve equivalent to 3–12 months of net revenue expenditure. Any level outside this range must be formally justified and minuted.

3.2 Earmarked Reserves

Earmarked Reserves are funds set aside for specific purposes, such as:

- Election costs
- Asset replacement (e.g., benches, noticeboards, play equipment)
- Capital projects
- Professional or legal fees
- Community initiatives

Each Earmarked Reserve must have:

- A clear purpose
- An estimated cost
- A timescale for use
- Annual review and re-approval by Council

Transfers to and from Earmarked Reserves must be approved by Council and recorded in the minutes.

3.3 Restricted (Ring-fenced) Reserves

Restricted Reserves include:

- Grants received for a specific project
- Funds legally committed but not yet spent

These reserves cannot be reallocated without formal Council approval and must be used only for their intended purpose.

4. Creation and Use of Reserves

4.1 Creating Reserves

Reserves may be created:

- During the annual budget process
- Through in-year Council decisions
- From underspends allocated to future projects

4.2 Using Reserves

- Earmarked Reserves may only be used for their stated purpose unless Council resolves otherwise.
- General Reserves may be used for emergencies or unexpected costs.
- All movements must be approved by Council and recorded in the minutes.

5. Annual Review

The Responsible Financial Officer (RFO) will present a Reserves Statement each year showing:

- Opening balances
- Movements during the year
- Closing balances
- Justification for each reserve

All reserves must be reviewed and justified at least annually as part of the budget process.

6. Transparency

The Council will publish reserves information through:

- The annual budget
- The AGAR
- Year-end accounts
- The website (where required by the Transparency Code)

7. Policy Approval

This policy was approved by the Parish Council on:

Date: 01-06-2026

Chair: Cllr Whitehead

Clerk/RFO: Lorriane Hodgson