

Great Longstone Parish Council

Reserves Policy

Background

(Guidance provided by Smaller Authority Proper Practices Panel - April 2025 (Page 38))

Reserves:

5.31. 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.

5.32. 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.

General reserves:

5.33. The general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances.

5.34. 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.

5.35. The reason for the wide range is to cater for the large variation in activity level between individual authorities. The smaller the authority, the closer the figure may be to 12 months expenditure, the larger the authority, the nearer to 3 months. In practice, any authority with income and expenditure in excess of £200,000 should plan towards 3 months equivalent general reserve.

5.36. 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. Consideration of the minimum level of reserves requires not only consideration of level of income and expenditure but also the risks to that income.

5.37. Authorities with significant self-generated income (other than the precept or levy) should take into account situations that may lead to a loss in revenue as well as increased costs and adapt their general reserve accordingly.

Earmarked and other reserves:

5.38. None of the above in any way affects the level of earmarked (EMR) and/or capital receipts reserves (CRR) that an authority may or should hold.

5.39. There is, in practice, no upper or lower limit to EMR /CRRs save only that they must be held for genuine and identifiable purposes and projects, and their level should be subject to regular review and justification (at least annually and at budget setting) and should be separately identified and enumerated. Significant levels of EMRs in particular may give rise to enquiries from internal and/or external auditors.

1. Policy Statement

Great Longstone Parish Council aims to maintain sufficient financial reserves to meet the needs of its operations and to ensure financial security. The Council's policy on the establishment, maintenance and adequacy of reserves and balances will be considered annually.

The Council will hold reserves for three main purposes:

1. A working balance to help cushion the impact of uneven cash flows.
2. A contingency to cushion the impact of unexpected events or emergencies.
3. A means of building up funds, to meet known or predicted requirements.

2. Legal Basis

The Local Government Finance Act 1992: Section 31A(2) and 49A allows for the precepting and management of reserves.

3. Scope

Types of reserve - Reserves may be categorised as General, Earmarked (EMR) or Capital (CRR).

4. General Reserve

The use of this is not restricted. It can be used to level the impact of uneven cashflows, offset the budget requirement or used to manage unexpected events or emergencies. As a relatively small council it is intended to maintain the General Reserve at a level up to 75% of the usual annual income.

If the General Reserve is exhausted due to extreme circumstances, the Council may make an emergency borrowing from Earmarked or Capital Receipt Reserves, which will be replaced in the next annual budget. Any surplus on the reserve above the required balance may be used to fund capital expenditure, be appropriated to earmarked reserves or used to limit any increase in the precept.

5. Earmarked Reserves

Earmarked reserves represent amounts which are earmarked for specific items of expenditure to meet known or anticipated liabilities or projects. They may be built up over a period of time. There is no statutory upper limit save that they should be held for genuine and intended purposes. The Council, when establishing an earmarked reserve, will set out:

1. The reason/purpose of the reserve.
2. How and when the reserve can be used.
3. Procedures for the management and control of the reserve including a process and timescale review of the reserve to ensure continuing relevance and adequacy.

6. Capital Receipt Reserves

Though permitted the Council do not currently have a need for a Capital Reserve. This requirement will be reviewed annually.

7. Management and control

1. The level of reserves will be reviewed as part of the annual budget preparation in January of each year.
2. Any decision to set up an Earmarked reserve must be made by the Council.
3. Expenditure from reserves can only be authorised by the Council.
4. The Responsible Financial Officer will maintain a detailed schedule of all reserves which will form part of the quarterly financial summaries.
5. Reserves should not be used to fund ongoing expenditure. To the extent that Reserves are used to meet short term funding gaps, they should be replenished in the following year. However, Earmarked Reserves that have been used to meet a liability (or project) would not need to be replenished, having served the purpose for which they were originally established.
6. Where 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 Council be transferred to other budget headings within the revenue budget or to General Reserves or to one or more Earmarked Reserves.

8. Annual Review of Reserves – January 2026

8.1 General Reserve

The target is of 75% of projected income for 2026/27 (£27,458) = £20,594

Actual General Reserve 1st April 2025 = £17,558

Projected General Reserve 31st March 2026 = £20,785

Target General Reserve 31st March 2027 = £20,594

8.2 Earmarked Reserves

8.2.1 **Elections Reserve:** to hold a sum equal to the usual cost of elections, built up over the usual 4-yearly cycle.

Actual on 1st April 2025 = £450

Projected on 31st March 2026 = £450

Target for 31st March 2027 = £450

8.2.2 **Village Hall Repairs Reserve:** for structural repairs to the fabric of the building. The long-term target is to build up a reserve level of £5,000.

Actual on 1st April 2025 = £1,500

Projected on 31st March 2026 = £2,100

Target for 31st March 2027 = £2,500

8.2.3 **Defibrillator Replacement Fund:** GLPC owns 2 machines that are likely to need replacing before 2030

Actual on 1st April 2025 = £0

Projected on 31st March 2026 = £135

Target for 31st March 2027 = £500

8.2.4 **Tennis Court/MUGA Surface Replacement Reserve:** The Tennis Court was resurfaced in 2025, and the aim is to build up a replacement reserve over the next 20 years, with a long-term target of £25,000.

Actual on 1st April 2025 = £6,000

Projected on 31st March 2026 = £2,086

Target for 31st March 2027 = £3,000

8.2.5 **Legal Reserve:** Funds precepted in previous years for land registration work that has not yet been carried out.

Actual on 1st April 2025 = £0

Projected on 31st March 2026 = £830

Target on 31st March 2027 = £0 - as expected to be used

8.2.6 **Little Longstone Parish Meeting Sports Reserve** – Balance of grant from Tennis Court project, to be held for future sports field related projects authorised by LLPM

Actual on 1st April 2025 = £0

Projected on 31st March 2026 = £804

Target on 31st March 2027 = £0 - as expected to be used

8.2.7 **Holme Meal Charity Reserve:** these are unspent funds held by the Council, on behalf of the charity the Holme Meal Trust.

Actual on 1st April 2025 = £215

Projected on 31st March 2026 = £318

Projected on 31st March 2027 = £0 - as expected to be used

8.2.8 **Playground Equipment Reserve** – It was agreed to add money left over in the transition from 2025 -2026 to a Playground Equipment Fund

Approved 14th January 2026.