

St Sampson Parish Council

Financial Reserves Policy

This document states the Financial Reserves Policy of St Sampson Parish Council.

Introduction

St Sampson Parish Council (the Council) is bound by a statutory required to maintain adequate financial reserves to meet future needs. Adhering to best practice, this Policy sets out how the Council will determine 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 for meeting estimated future expenditure when calculating the budget requirement. However, there is no specified minimum level of reserves that an authority should hold and it is the responsibility of the Responsible Financial Officer (RFO) to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use.

The level of Financial Reserves to be held by the Council will be agreed with the Annual Budget. Reviewing the Council's Financial Risk Assessment is part of the budgeting and year end accounting procedures and identifies planned and unplanned expenditure items and thereby indicates an appropriate level of Reserves.

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 in the following year. However, Earmarked/Ringfenced 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.

Any decision to set up a Reserve must be made by the Council and all expenditure from Reserves must similarly be authorised by the Council.

Types of Reserve

Reserves are categorised as either General, Earmarked or Ringfenced.

General Reserves do not have any restrictions on their use and are used to smooth the impact of uneven cash flows, offset the budget requirement if necessary or can be held in case of unexpected events or emergencies.

Earmarked Reserves (EMRs) can be held for several reasons:

- Carry forward of underspend on an uncompleted project – expenditure committed to a project but not spent in the budget year. Reserves are used as a mechanism to carry forward these resources.
- Renewals – to enable the planning and financing of an effective program of equipment replacement and property maintenance/refurbishment. The funds required are built up incrementally over several years, taking into account asset conditions and asset life. They are a mechanism to smooth expenditure without the need to vary budgets.
- Insurance reserve – to enable the Council to meet the excesses of claims not covered by insurance.
- Other Earmarked Reserves may be set up from time to time to meet known or predicted liabilities.

Ringfenced Reserves are restrictive in their usage – funds can only be used for specified purposes eg Grants and Donations.

General Reserves

It is unlawful for a Parish Council to operate in overdraft. The Council must build and maintain sufficient working balances to cover the key risks it faces, as expressed in its Financial Risk Assessment.

The primary means of building General Reserves will be through a reallocation of funds (underspend on a completed project) and allocation from the Annual Budget. This will be in addition to any amounts needed to replenish reserves which have been spent in the previous year. 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 EMRs to provide short term resources.

The Smaller Authorities' Proper Practices Panel (SAPPP formerly JPAG) "Practitioners' Guide 2025" advises...

"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 smaller the authority, the closer the figure may be to 12 months expenditure, the larger the authority, the nearer to 3 months....."

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"5.36it 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."

The Net Revenue Expenditure (NRE) is the cost of the Council's day-to-day services, minus any specific income it receives from those services. The Council must keep a minimum balance sufficient to always pay one month's salaries to staff in General Reserves.

Earmarked Reserves

EMRs must be held for genuine and intended purposes, and their level should be subject to annual review and justification.

Earmarked Reserves will be established on a "needs" basis, in line with anticipated requirements and shall only be used for the purpose for which they were created:

Where the purpose of an Earmarked Reserve becomes obsolete, or where there is an over-provision of funds, the excess will with the approval of the Council, be re-purposed and absorbed into the Councils revenue for potential re-allocation.

All Earmarked Reserves are separately identified and recorded on a central schedule which must list the purpose for which they are each held. This record is held and maintained by the Responsible Financial Officer.

Ringfenced Reserves

Ringfenced Reserves are held for a specific purpose and cannot be transferred or re-assigned, for example grants allocated for a specific project only, which may not be used for any other purpose.

These funds are separately identified and recorded on a central schedule which must list the purpose for which they are each held. This record is held and maintained by the Responsible Financial Officer.

- Community Infrastructure Levy - CIL Regulation 59C sets out that a local council must use CIL receipts passed to it to 'support the development of the local council's area, or any part of that area, by funding:
 - a. the provision, improvement, replacement, operation or maintenance of infrastructure: or
 - b. anything else that is concerned with addressing the demands that development places on an area.
- Other Ringfenced Funds, for example donations/grants for a specific purpose could occur during the year.

Management and Control of Reserves

The level of General Reserves shall be reviewed during the annual budgetary review and agreed by the Council. The minimum level of General Reserves shall be recommended to the Council by the Responsible Financial Officer. This will form part of the recommendations for the Annual Budget and Precept request by the Council.

Earmarked Reserves shall be reviewed on an individual basis. This review will also be undertaken as part of the Annual Budgetary Review. Approval for the creation, amendment, cessation or continuation of Earmarked Reserves will be given by the Council.

Any usage and or movement of Reserve funds shall be reported to the Council at monthly meetings for approval.

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Current Level of Financial Reserves

The level of Reserves as of February 2026:

General Reserve		£7,256.66	(equates to 95% of Precept)
Earmarked Reserves	Election	£500.00	Contribution for contested election
	Car Park	£0.00	Resurfacing
	Toilet Block	£0.00	Refurbishment
	Village Green	£0.00	Equipment Replacement – Current Asset Replacement Value £ 2,850
	Playground	£0.00	Playground Equipment Replacement – Current Asset Replacement Value £45,340
Ringfenced Reserves	Playground	£5,294.01	Playground Equipment Replacement – Donations & Grant
	As CIL Regulation 59C	£0.00	CIL Receipt
	Toilet Building Soffits	£1,200.00	Asbestos Removal/Treatment - Grant
TOTAL RESERVES		£14,250.67	

This Policy will be reviewed by the Council when setting the budget for 2026/27.

The above levels of Financial Reserves were agreed and this document adopted by the Council on 28th April 2026.