



RESERVES POLICY

1. Introduction

Aldbourn Parish Council is required, under statute, to maintain adequate financial reserves to meet the needs of the organisation. Sections 32 & 43 of the Local Government Finance Act 1992 require local authorities to have a regard to the level of reserves needed to meet estimated future expenditure when calculating the budget requirements. However, there is no specified minimum. This policy sets out the Council's approach to the establishment, maintenance, and use of reserves.

The policy is informed by good financial management practice and aims to ensure transparency, accountability, and sustainability in the Council's finances.

2. Purpose of Reserves

The Council will hold reserves for these purposes:

- Provide a buffer against unforeseen events or emergencies
- Manage uneven cash flow during the financial year
- Support planned expenditure and future projects
- Reduce the impact of unexpected reductions in income
- Ensure financial stability and continuity of services

3. Types of Reserves

The Council maintains two types of reserves:

3.1 General Reserves

General reserves are funds held to meet unexpected expenditure or emergencies that cannot be reasonably foreseen during the budget-setting process.

These reserves provide a financial safety net and help ensure that the Council can continue to operate effectively in the event of an emergency or unforeseen financial pressure

3.2 Earmarked Reserves

Earmarked reserves are funds set aside for specific purposes or projects approved by the Council, such as:

- Capital projects or asset replacement
- Major repairs or maintenance
- Legal or contractual commitments
- Election costs

Each earmarked reserve will have a clear purpose and will be reviewed regularly.

4. Level of Reserves

4.1 General Reserves

The Council aims to maintain general reserves broadly equivalent to between 3 and 12 months of net revenue expenditure, taking into account:

- The size and nature of the Council's budget
- Known financial risks and commitments
- The Council's ability to raise funds through the precept

The level of General Reserves is a matter of judgement and so this policy does not attempt to prescribe a blanket level.

The primary means of building general reserve will be through an allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves which have been used in the previous year.

The Council aims to hold a prudent and proportionate sum, broadly equivalent to between 3 and 12 months of net revenue expenditure, unless a reasoned assessment indicates otherwise. The exact level will be reviewed annually as part of the budget-setting process.

4.2 Earmarked Reserves

Earmarked reserves will be set at levels appropriate to their intended purpose. Once the purpose has been fulfilled, any remaining funds will be returned to general reserves unless the Council decides otherwise.

5. Use of Reserves

Reserves may only be used following a resolution of the Council and must be used for the purpose for which they are held.

Reserves may be used only upon a resolution of the Council.

The use of general reserves should be a last resort and not a substitute for proper financial planning. Where reserves are used, a plan will be made to replenish them where appropriate.

6. Review and Monitoring

- The level and purpose of all reserves will be reviewed at least annually as part of the Council’s budget and precept-setting process.
- The Responsible Financial Officer (RFO) will report on reserve levels as part of regular financial reporting.
- The Finance Group will consider identified risks, commitments, and future plans when reviewing reserve levels, before making any recommendations to Full Council.
- Any significant changes to reserves will be clearly recorded in the Council’s minutes.

7. Transparency and Accountability

Details of the Council’s reserves will be published in the annual accounts and made available to the public in accordance with statutory requirements.

8. Policy Review

This policy will be reviewed every 3 years or earlier if required by changes in legislation.

Date of Policy Adoption	4 March 2026
Agenda Item	192/26b
Policy Version number	V1
Date of next review	2029