

UPTON & NORTH ELMSALL PARISH COUNCIL RESERVES POLICY

1. Introduction

Upton & North Elmsall Parish Council is required to maintain adequate financial reserves to meet the needs of the organisation and to ensure financial stability.

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.

There is no statutory minimum level of reserves; however, it is the responsibility of the Responsible Financial Officer (RFO) to advise the Council on the adequacy of reserves, taking into account the Council's financial risks, commitments and future plans.

The purpose of this policy is to set out how the Parish Council will determine, maintain and review its reserves.

2. Types of Reserves

The Parish Council maintains two types of reserves:

- **General Reserves**
These are funds which do not have any restrictions on their use and are available to support the Council's overall financial position.
- **Earmarked Reserves (EMRs)**
These are funds set aside for specific projects, liabilities or anticipated future expenditure.

Both types of reserves are reviewed annually as part of the budget-setting process.

3. Purpose of Reserves

Reserves may be held for several purposes, including:

- To manage cash flow fluctuations.
- To provide a contingency against unforeseen expenditure.
- To smooth the impact of large expenditure items.
- To fund specific future projects or liabilities.
- To manage financial risk.

Maintaining adequate reserves ensures the Council can continue to operate effectively even when unexpected financial pressures arise.

4. General Reserves

General Reserves represent the Council's working balance and contingency funds.

Their primary purposes are:

- Managing uneven cash flows during the financial year
- Providing contingency funding for unforeseen expenditure
- Protecting the Council against financial risks
- Supporting financial stability and resilience

Guidance within the Smaller Authorities' Proper Practices Panel (SAPPP) suggests that smaller authorities should typically maintain General Reserves equivalent to between three and twelve months of net revenue expenditure, depending on the size and risks of the authority.

Given the scale of activity and responsibilities of Upton & North Elmsall Parish Council, the Council considers it prudent to maintain reserves within this recommended range.

Current Position

As at 31 March 2026, the Council's reserves position is as follows:

- General Reserves: £118,560
- Earmarked Reserves (School Street Redevelopment): £15,107

Total reserves therefore stood at £133,667, prior to the application of the current year deficit.

Following the application of the 2025/26 deficit, the Council's overall net reserves position (net assets) is £116,809, as set out in the year-end accounts.

This represents approximately five months of the Council's annual expenditure, which is considered an appropriate and prudent level given:

- The Council's responsibilities for village hall and asset management
- Exposure to unforeseen maintenance or repair costs
- Operational cash flow requirements
- Potential future financial risks

The level of General Reserves will be reviewed annually as part of the budget and precept setting process.

5. Earmarked Reserves

Earmarked Reserves are funds set aside for specific future expenditure or known financial commitments.

These reserves allow the Council to plan for significant costs without causing sudden increases in the precept or disruption to normal services.

Earmarked reserves may be established for purposes including:

- Capital projects
- Major repairs or asset replacement
- Carry forward of committed expenditure
- Election costs

- Insurance excess liabilities
- Other known future commitments

Earmarked reserves must:

- Be created by resolution of the Parish Council
- Have a clearly defined purpose
- Be reviewed annually
- Only be used for their stated purpose unless formally reallocated by the Council

Current Earmarked Reserves

The Parish Council currently holds the following earmarked reserve:

- School Street Redevelopment Reserve: £15,107

This reserve has been established to support the redevelopment of the School Street site and associated improvement works. The balance of this reserve will be reviewed as part of the Council's annual budget process and adjusted as the project progresses.

6. Use of Reserves

Use of reserves must be authorised by the Parish Council and properly recorded in the Council's financial records.

General Reserves may be used for:

- Emergencies
- Unexpected expenditure
- Cash flow management

Earmarked Reserves may only be used for the purpose for which they were established, unless the Council formally resolves to reallocate them.

Where reserves are used to support revenue expenditure, the Council will consider whether they need to be replenished in the following budget cycle.

7. Monitoring and Reporting

The Responsible Financial Officer will:

- Maintain an up-to-date schedule of reserves
- Report balances to the Parish Council as part of financial monitoring reports
- Review reserves annually during the budget-setting process
- Advise the Council on the adequacy of reserves

8. Review of the Policy

This policy will be reviewed annually during the budget-setting process or earlier if significant changes occur to the Council's financial position or responsibilities.