EARDISLEY GROUP PARISH COUNCIL

FINANCIAL RESERVES POLICY

Eardisley Group Parish Council adopted this policy with effect from 17.05.2021. It was last reviewed during the 2026-27 budget setting process and revisions adopted 19.01.2026.

1. PURPOSE

1.1. Eardisley Group Parish Council is required to maintain adequate financial reserves to meet the needs of the organisation. The general reserve of an authority comprises its cash flow and contingency funds for unexpected or unplanned events. The purpose of this policy is to set out how the Council will determine and review the level of General Reserves it holds.[i]

1.2. 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 their budget requirement. There is no specified minimum or maximum level of reserves an authority must hold. The generally accepted recommendation regarding 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 (NRE).[ii]

1.3. The Practitioners' Guide 2025 developed by the Smaller Authorities Proper Practices Panel sets out guidance and audit considerations for Town and Parish Councils. A copy of the current guide is published on the EGPC website.

1.4. Local authorities therefore need to plan to hold a certain amount of funds in reserves for specific purposes to help the council to save up each year towards the cost of capital projects, replacement of equipment – e.g., in case of contested elections, etc. In addition, it is good practice for the council to hold general revenue reserves for reasonable working capital.

1.5. The reason for the recommended range of three to 12 months is to allow for the wide variation in size and activity of individual councils. The smaller the council, the closer the figure may be to 12 months NRE, whereas larger councils would aim closer to three months.

2. PRINCIPLES OF NRE

2.1. Eardisley Group Parish Council is categorised as a smaller authority[iii]. Based on its precept and activity levels, its aim will be to maintain General Reserves[iv] in the region of 6-12 months' NRE, with an aspiration of attaining closer to 12 months over time. This principle will be borne in mind when budgeting the precept rate for the upcoming year.

3. RESERVES POLICY

3.1. The Finance & Compliance Working Group and the Responsible Financial Officer will work together to consider the necessary elements to present a well thought out, accurate and detailed budget and precept proposal to full Council for its approval and adoption. In so doing, it will pay due consideration to the legislation and guidance referenced in Section 1 above. The following elements will be taken into consideration:

3.1.1. General running costs (including increases in National Pay Awards for staff).
3.1.2. Current and future activities (including the possibility of devolved services).
3.1.3. Councillor and staff training and development.
3.1.4. Loans and grant repayments (if applicable).
3.1.5. Amounts specified in Section 5, below.
3.1.6. Capital projects.
3.1.7. Replacement and repair of equipment and assets.
3.1.8. Contingencies.
3.1.9. The status of government/unitary authority grant funding schemes.
3.1.10. A calculation of Net Revenue Expenditure.

4. LEVEL OF FINANCIAL RESERVES & GOVERNANCE

4.1. The level of financial reserves to be held by the Council will be reviewed annually as part of the budget setting process.

4.2. For each proposed reserve, the council will identify the following criteria:

4.2.1. The reason for/purpose of the reserve.
4.2.2. How and when the reserve can be used.
4.2.3. Procedures for the control and management of the reserve.
4.2.4. The process and timescale for review of the reserve to ensure continuing relevance and adequacy.

4.3. The aim will be to hold a Reserve Fund of not less than 12 months' net revenue expenditure. When this reserve is depleted, the Council will consider the appropriate period over which to replace it to the target level.

4.4. The council will have the opportunity to review the levels of reserves and make recommendations for the creation of additional earmarked reserves and/or the determination of redundant earmarked reserves as part of the annual budgeting process.

5. RESERVES IN CURRENT BUDGET

5.1. Elections: To be accrued between elections at 25% of the anticipated cost of a contested election (or the anticipated offset cost of a national election) per annum, currently estimated at £500.00 per year (£2,000.00 every four years).

5.2. IT Equipment: To be built up at a rate of £200.00 per annum to allow for replacement of parish council laptop every 5 years, if required.

5.3. Highways: The sum of £10,000.00 will be earmarked in 2026-27 for traffic calming measures.

5.4. General Reserves: any unspent funds brought forward from previous year expenditure, plus balances in the Instant Saver Account, to be reconciled with Net Revenue calculation during the annual budget setting process.

6. POLICY REVIEW

6.1. This policy will be reviewed annually in line with the budget setting process and end of year bank reconciliation reporting.

Please refer to the Parish Council's adopted Financial Regulations for details of other financial management and internal control systems.

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[i] General Reserves encompass all the revenue income and expenditure of the Council and excludes specific funds earmarked for long-term projects.

[ii] Net Revenue Expenditure (NRE) (subject to any planned surplus or deficit) is effectively calculated as the Precept, less any Loan Repayment and/or amounts included in the Precept for capital projects and transfers to earmarked reserves. This definition is based on guidance from NALC's Audit and Accounts Advisor, Derek Kemp.

[iii] In accordance with Section 6 of the Local Audit and Accountability Act 2014, an authority is a 'smaller authority' if the higher of the authority's gross income for the year and its gross expenditure for the year does not exceed £15 million.

[iv] General reserves (or working balances) are funds that do not have any restrictions on their use, other than those determined by statutory requirements for parish councils. They can be used in the event of emergencies or unexpected events or to offset the budget if additional expenditure is approved for legitimate, operational reasons.