

Alwoodley Parish Council – Reserves Policy

Adopted: [Insert date of approval]

Next review due: [Insert date – usually October each year]

1. Purpose

This policy sets out how Alwoodley Parish Council will manage and review its reserves to ensure sound financial management, accountability, and compliance with the *Local Government Act 1972*, the *Accounts and Audit Regulations 2015*, and “proper practices” as set out in the *Joint Panel on Accountability and Governance (JPAG) Practitioners’ Guide (2025)*.

2. Definition of Reserves

Reserves are funds that are held by the Council for specific or general purposes:

- **General Reserve** – used to smooth the impact of uneven cash flow, unexpected events, or emergencies.
- **Earmarked Reserves** – held for specific projects, statutory obligations, or future liabilities (e.g. elections, asset replacement, community grants).
- **Capital Reserves** – held to fund future capital expenditure or asset renewal.
- **Restricted Reserves** – funds legally or contractually restricted (e.g. s106, CIL, grant conditions).

All reserves belong to the Council as a corporate body and may only be used following a resolution of the full Council.

3. Legal and Regulatory Framework

Under the *Local Government Act 1972 s.151*, the Responsible Financial Officer (RFO) must ensure the proper administration of the Council’s financial affairs, including maintaining adequate reserves.

The *Accounts and Audit Regulations 2015* require local councils to have sound financial management and internal control systems in place, which includes appropriate reserve levels.

4. Purpose of Holding Reserves

The Council maintains reserves:

- To provide working capital to meet short-term expenditure before income is received.
- To ensure continuity of services in the event of unforeseen costs or loss of income.
- To fund specific future projects or liabilities identified through the budgeting process.
- To manage risk and support effective long-term financial planning.

5. Levels of Reserves

5.1 General Reserve

- The Council will aim to maintain a General Reserve **between 3 and 12 months of operating expenditure**, depending on assessed risk and the size of the annual budget.
- As a benchmark, the JPAG Practitioners' Guide recommends **between 25% and 100% of annual expenditure** for smaller authorities.
- The appropriate level will be reviewed annually during budget setting, considering:
 - The level of earmarked reserves held.
 - Financial and operational risks identified in the Risk Register.
 - Income volatility (e.g., reliance on grants or precept).
 - Future commitments and external economic conditions.

5.2 Earmarked Reserves

Earmarked reserves may be established by the Council for specific, known purposes.

Examples include:

- Election costs (typically one parish election every four years)
- Replacement of play equipment or street furniture
- Community grants or partnership projects
- Building or asset maintenance
- Biodiversity, climate, or highways improvement projects
- Technology, website, or data protection upgrades

Each reserve must have:

- A clear purpose
- A target amount or timeframe
- A review date

The creation, use, or closure of an earmarked reserve requires approval by **resolution of the full Council**, following a recommendation from the Clerk/RFO.

6. Creation and Use of Reserves

- The **RFO** will recommend to Council each year, as part of the budget process:
 - Any transfers to or from earmarked reserves.
 - The amount required to maintain the General Reserve at the agreed level.
- Transfers to and from reserves shall be recorded in the minutes and in the Council's accounts.
- Expenditure from earmarked reserves can only be made for the purpose for which the reserve was established, and must be approved by full Council.

7. Review and Reporting

- The level and purpose of all reserves shall be reviewed by the RFO and reported to full Council at least **annually in October**, as part of the budget-setting process.
- A **Reserves Schedule** showing opening balances, movements, and closing balances will form part of the annual **budget papers and year-end accounts**.
- The RFO shall also report to Council if the level of reserves is likely to fall below or rise significantly above the approved range.

8. Responsibilities

Role	Responsibility
Council	Approves the overall level of reserves, creation or use of earmarked reserves, and annual review.
Responsible Financial Officer (RFO)	Advises on the adequacy of reserves, manages accounting records, and reports on balances and movements.
Clerk	Ensures reserve decisions are properly recorded in minutes and reflected in financial planning.

9. Monitoring and Audit

- The internal auditor shall verify reserve movements as part of the annual audit process.
- Any recommendation for adjustment shall be reported to full Council and recorded in the minutes.

10. Publication

This policy and an annual schedule of reserve balances will be published on the Council's website in the **Finance and Governance** section to ensure transparency and accountability.

11. Review

This policy shall be reviewed **annually in October**, or sooner if there are material changes in financial circumstances, legislation, or audit recommendations.

Appendix: Planned Actions for 2025/26

During 2025/26, Alwoodley Parish Council will:

- Review and confirm the **General Reserve target level** during budget setting (October–November 2025).
- Establish **earmarked reserves** for:
 - Elections (2027)
 - Replacement of parish assets (benches, noticeboards, equipment)
 - Community Infrastructure Levy Restricted Funds

- Produce a **Reserves Schedule** to accompany the 2025/26 budget.
- Publish the adopted **Reserves Policy** and schedule on the website alongside Financial Regulations.