

NORTH FRODINGHAM PARISH COUNCIL

Reserves Policy

Introduction

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.

General Reserves

General Reserves are funds which do not have any restrictions as to their use. These reserves can be 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.

The general level of reserve for a smaller authority should be between three and twelve-months net revenue expenditure, the smaller the authority the closer the figure should be to twelve-months net revenue expenditure, the larger the authority the closer the figure should be to three-months net revenue expenditure*.

North Frodingham Parish Council is considered a 'smaller' authority and will strive to maintain a General Reserve close to twelve months of net revenue expenditure.

If in extreme circumstances where General Reserves were exhausted, the Parish Council would be able to draw down from its earmarked reserves to provide short term resources. Any earmarked reserves used to meet short term funding gaps, must be replenished in the following year.

The Parish Council must keep a minimum balance sufficient to pay one month's salaries to staff in General Reserves at all times.

Earmarked Reserves

The level of earmarked reserves that an authority may or should hold is not affected by the level of General Reserve held. There is, in practice, no upper or lower limit to earmarked reserves save only that they must be held for genuine and intended purposes, and their level should be subject to regular review and justification (at least annually), and should be separately identified and enumerated.

Earmarked reserves can be held for several reasons:

- Renewals – to enable services to plan and finance replacements and maintenance.
- Carry forward of underspend - for resources which cannot be spent in the year of commitment.
- Insurance reserve – to enable the Council to meet excesses of claims not covered by insurance.
- Other earmarked reserves may be set up from time to time to meet known or predicted liabilities.

Earmarked reserves will be established on a "needs" basis, in line with anticipated requirements. All Earmarked Reserves and the purpose for which they are held is recorded on budget statements and reviews.

This policy was adopted 8 September 2025.

*Smaller Authorities Proper Practices Panel (SAPPP) on Accountability and Governance, Practitioners' Guide 2025, items 5.33 to 5.39