Appleton Parish Council

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# FINANCIAL RESERVES POLICY

Adopted by Appleton Parish Council by resolution on 15 July 2025 (8) and will be reviewed periodically thereafter.

Reviewed: 21 April 2026 (8)

## 1. INTRODUCTION AND PURPOSE

This policy describes how Appleton Parish Council manages and maintains financial reserves to ensure sound financial management and long-term financial stability.

Maintaining appropriate financial reserves enables the Parish Council to; -

- Manage financial risk and unforeseen expenditure
- Maintain adequate working capital
- Plan for future capital investment
- Smooth out the impact of uneven income and expenditure
- Reduce fluctuations in the annual precept

## 2. SCOPE

This policy applies to all of the financial reserves held by Appleton Parish Council. This policy must be followed by the Parish Clerk and RFO, the Deputy Clerk and any other relevant employees and Parish Councillors.

This policy covers both **General Reserves** and **Earmarked Reserves.**

## 3. THE LEGAL FRAMEWORK

The Local Audit and Accountability Act 2014 and the Local Government Act 1972 are the primary sources of legislation governing the ways in which a parish council manages its financial affairs. Governance and Accountability for Smaller Authorities (the Practitioners Guide) provides local councils with guidance (some mandatory) for financial management and outlines the information required by the external auditor.

The Financial Regulations and Standing Orders of the council provide further guidance

Appleton Parish Council is required by statute to maintain financial reserves sufficient to meet the needs of the organisation and in addition has statutory limitations on how it spends certain receipts which it must ensure are accounted for separately to the council's general funds.

Whilst there is no statutory minimum (or maximum) level of reserves, the Parish

Council has no power to hold revenue reserves other than those for reasonable working capital needs or specific earmarked purposes.

The Parish Council's Internal and External Auditors review the adequacy and justification of the Parish Council's reserves as part of the annual audit process.

This policy sets out how Appleton Parish Council will manage its reserves and is separate to the Parish Council's Investments Policy which sets out how the council will hold its reserves.

# 4. EXPENDITURE FROM THE RESERVES

A decision to set up a reserve budget must be made by the Parish Council.

Expenditure from reserves must be authorised by the Parish Council.

The Parish Council maintains two types of reserves as follows: -

## 4.1 General Reserves

General Reserves represent the Parish Council's working balance and provide financial resilience for unforeseen expenditure.

These General Reserves may be used to; -

- manage cash flow
- Cover unexpected expenditure
- Provide emergency funding

The Joint Panel on Accountability and Governance Practitioners' Guide recommends that General Reserves should normally be between three and twelve months on net revenue expenditure.

For the size of Appleton Parish Council at this time, the Councill aims to maintain General Reserves at approximately three months (i.e. 25%) of annual net revenue expenditure.

The Parish Council will review the General Reserves position during the annual budget process.

### 4.2 Earmarked Reserves

The Parish Council may establish Earmarked Reserves for specific purposes where it reasonably believes it may incur expenditure in the future.

These Earmarked Reserves enable the Parish Council to: -

- Plan for significant future expenditure
- Reduce the impact on the annual precept
- Manage financial risk
- Fund capital projects

Where the provision of an Earmarked Reserve becomes obsolete, or where there is an overprovision of funds, the excess may, subject to the approval of the Parish Council, be transferred to other budget headings within the revenue budget, or to General Reserves, or to one or more of the Earmarked Reserves.

## 5. CREATION OF NEW EARMARKED RESERVES

The creation of a new Earmarked Reserve must be approved by resolution of the Parish Council

The decision should specify: -

- The purpose of the reserve
- The method of funding
- Any planned annual contributions

## 6. USE OF RESERVES

Expenditure from reserves must be authorised by The Parish Council.

Funds held in Earmarked Reserves may only be used for the purpose for which they were established, unless the Parish Council agrees otherwise.

## 7. TRANSFERS BETWEEN RESERVES

The Responsible Financial Officer will maintain a **Reserves Schedule** showing: -

- Opening balances
- Contributions to reserves
- Expenditure from reserves
- Closing balances

## 8. EXISTING EARMARKED RESERVES (Status for tax year 2025/2026)

**Elections earmarked reserve**

This is a reserve to cover the cost of by-elections. The Parish Council may determine to lower the reserve immediately before/after ordinary election years where the likelihood of a by-election is lower.

**Parish Hall earmarked reserve**

This is a reserve for capital works and renovation works for the Parish Hall.

**Youth Work earmarked reserve**

This is a reserve for youth projects.

**Parish Ranger Van replacement earmarked reserve**

The Parish Council purchased a new electric van in 2024 and each year amounts will be added to this reserve in order purchase a replacement in the future.

**Environmental Improvement schemes earmarked reserve**

This is a reserve for investments for any environmental improvements.

**Community Scheme/ consultant costs for Local Plan**

This is a reserve for use for Planning Consultants and for utilising advice in relation to matters associated with, or arising from the Local Plan, such as large developments in the area. For example, costs in relation to the South Warrington Local Parishes group.

**Legal advice regarding employment earmarked reserve**

This is a reserve to utilities funds for employment advice and assistance.

**Air Quality monitors earmarked reserve**

This is a reserve for the installation of air quality monitors.

**Public Health earmarked reserve**

This is a reserve for investments in public health issues.

**Public Amenity earmarked reserve**

This is a reserve for investments in public amenities.

**Review and variation to policy**

This policy will be reviewed periodically and may be subject to variations and additions.

## 9. TRANSPARENCY

Information about the Council's reserves will be reported in: -

- The annual budget accounts
- The Council's accounts
- The Annual Governance and Accountability Return (AGAR)

This ensures transparency and accountability to residents and stakeholders.

## 10. ANNUAL REVIEW OF RESERVES

The Council will undertake a formal review of its reserves each year as part of the budget setting process.

This review will consider: -

- The adequacy of the General Reserve
- The purpose and balance of each Earmarked Reserve
- Planned capital expenditure
- Financial risks and liabilities

Following this review, the Council will approve a **Reserves Schedule** to support the budget.

# 11. REVIEW AND VARIATIONS TO POLICY

This policy will be reviewed periodically and may be subject to variations and additions.