

WIDDRINGTON STATION & STOBWOOD PARISH COUNCIL

RESERVES POLICY

FEB 2026

1. Introduction and Legislative Framework

The Council is required by statute to maintain adequate financial reserves to support the effective and lawful operation of the authority. In accordance with Section 50 of the Local Government Finance Act 1992, the Council must have regard to the level of reserves needed to meet estimated future expenditure when setting its annual budget and precept.

Guidance issued by the National Association of Local Councils (NALC) and the Society of Local Council Clerks (SLCC) recognises that local councils have no specific legal powers to hold revenue reserves other than those required for:

- Reasonable working capital needs; and/or
- Specifically earmarked purposes.

Where a Council's year-end general reserve is significantly higher than the annual precept, a clear and transparent explanation must be provided to the external auditor.

This policy sets out the Council's approach to the establishment, maintenance, and review of reserves and balances. The policy will be reviewed annually as part of the budget-setting process.

The Council will maintain reserves for the following purposes:

1. A **working balance** to cushion the impact of uneven cash flows and avoid unnecessary short-term borrowing (part of the General Reserve);
2. A **contingency** to cushion the impact of unexpected events or emergencies (part of the General Reserve); and
3. **Earmarked reserves** to build up funds for known or predicted liabilities, projects, or commitments. These are accounted for separately but remain legally part of the General Fund.

2. General Fund (General Reserve)

The General Fund balance, often referred to as the working balance, is held to ensure the Council can continue to operate in the event of unforeseen circumstances, temporary cash flow issues, or unexpected expenditure.

In line with NALC/SLCC guidance, the Council will not hold excessive general reserves. The General Reserve will be maintained at a level determined by an annual risk assessment undertaken by the Clerk & Responsible Financial Officer (RFO) during the budget-setting process.

The assessment will consider the size of the Council, the level and predictability of income and expenditure, and the specific risks faced by the authority.

Where the General Reserve exceeds the level identified as necessary, the surplus may be:

- Used to fund one-off or capital expenditure;
 - Transferred to earmarked reserves for specific purposes; or
 - Used to mitigate or limit increases in the annual precept.
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3. Financial Risk Management

When assessing the adequacy of the General Reserve, the Clerk & RFO will consider the strategic, operational, and financial risks facing the Council. This assessment will include, but not be limited to:

- Volatility or uncertainty in income streams (e.g. precept, grants, fees);
- The scale and timing of committed expenditure;
- Potential legal, contractual, or employment liabilities;
- Planned capital projects and asset maintenance;
- Exposure to inflationary pressures;
- The adequacy of insurance arrangements and provisions.

The recommended level of the General Reserve for the forthcoming financial year will be based on this risk assessment and reported to the Council for approval as part of the annual budget.

4. Earmarked Reserves

Earmarked Reserves are funds set aside for specific, identified purposes, typically built up over time to meet known or anticipated future expenditure. The use of earmarked reserves helps to smooth the impact of significant or irregular costs and supports sound financial planning.

When establishing an earmarked reserve, the Council will clearly document:

1. The purpose and reason for the reserve;
2. The planned level of funding and the method of accumulation;
3. How and when the reserve may be used, including any delegated authority;
4. The arrangements for the management and control of the reserve;
5. A review process and timescale to ensure the reserve remains relevant and adequate.

Earmarked reserves will be held only for genuine and properly identified purposes. They may be reduced or discontinued where the original purpose no longer exists or where the level of funding is no longer justified.

5. Review of the Adequacy of Balances and Reserves

The adequacy of the Council's General and Earmarked Reserves will be reviewed at least annually as part of the budget preparation process.

This review will take account of:

- The Council's current and forecast financial position;
- The outcome of the annual risk assessment;
- Planned expenditure, projects, and commitments;
- Changes in statutory, regulatory, or operational requirements.

The Council will ensure that reserves are maintained at a prudent but not excessive level, consistent with NALC/SLCC guidance, and that they are used transparently and in support of the Council's strategic objectives.