

Bulwick Parish Council

Reserves Policy

INTRODUCTION

Bulwick Parish Council is required to maintain adequate financial reserves to meet the needs of the Parish Council. Sections 32-33 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.

Local Councils have no legal powers to hold revenue reserves other than for reasonable working capital or for specifically earmarked purposes. It follows that the year-end General Reserve should not be significantly higher than the annual precept. If the amount of reserves at the year-end are above a certain level in relation to the annual precept the council must give an explanation of the reserves held to the Auditor.

There is no specified minimum level of reserves that an authority should hold, and it is the responsibility of the Responsible Financial Officer (RFO) to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use.

The purpose of this policy is to set out how the Council determines and reviews the level of reserves.

LEVEL OF RESERVES

The Joint Panel on Accountability and Governance (JPAG) Practitioner's Guide (March 2025 edition) advises that the appropriate minimum level of a Smaller Authority's General Reserve should be maintained at between three (3) and twelve (12) months' Net Revenue Expenditure (NRE) and the smaller the authority the closer to 12 months it should be.

It is the responsibility of the Clerk/Responsible Finance Officer through the annual risk assessment to advise the Council about the level of Reserves Bulwick Parish Council should be holding.

MANAGEMENT AND CONTROL OF RESERVES

Movement of reserves will be agreed at Bulwick Parish Council meetings and decisions will be entered in the minutes.

TYPES OF RESERVE

The Bulwick Parish Council can categorise these funds as: General Reserves, Earmarked, and Ringfenced

GENERAL RESERVES

General Reserves do not have any restrictions as to their use. These reserves can be used to smooth the impact of uneven cash flows, offset budget requirements if necessary or can be held in case of unexpected events or emergencies.

The primary means of building the General Reserve is through an allocation in the annual budget.

Approval of the full council is required to move funds from the General Reserve.

The level of financial reserves held by the council will be agreed by the council during the discussions held regarding the setting of the budget for the next financial year.

Guidance states that 'a council should typically hold between 3- and 12-months expenditure as a general reserve' (Good Councillor's Guide on Finance & Transparency)

EARMARKED RESERVES

Earmarked Reserve's will be established on a "needs" basis in line with anticipated requirements to meet known or predicted liabilities and these are to be reviewed annually when the budget is agreed. Any decision to set up an Earmarked Reserve's must be approved by Parish Council.

If the Earmarked Reserves are used to meet short term funding gaps, they must be replenished in the following financial year. However, Earmarked Reserve's which have been used to meet a specific liability would not need to be replenished, after having served the purpose for which they were originally set up

Earmarked Reserves must be reviewed and / or established by the council at the annual budget setting meeting.

Expenditure from earmarked reserves can only be authorised by the full council at a Parish Council meeting. Any decision to set up a reserve must be made by the Council.

All Earmarked Reserves are recorded within the council's financial information and held by the Responsible Financial Officer which lists the various Earmarked Reserves and the purpose for which they are held.

Sums can be moved between earmarked reserve headings, by council resolution only, should the need arise or should priorities change.

The council may hold Earmarked Reserves in the following categories:

- Carry forward of underspend, where some expenditure is budgeted for projects but not spent in that financial year. Reserves are used as a mechanism to carry forward these resources.
- Reserves built up over a time period, for example, to pay for an election. The setting aside of funds over a period of time to meet known future expenditure reduces the impact of meeting the full expenditure in one year.
- Developers Contributions – proceeds from developers which can only be used for specified purposes.
- Other Earmarked Reserves – these may be set up from time to time to meet known or predicted liabilities.

There is no statutory upper limit save that they must be held for genuine and intended purposes.

Reviewing the Council's Financial Risk Assessment is part of the budgeting and year end accounting procedures and identifies planned and unplanned expenditure items and thereby indicates an appropriate level of Reserves.

Reserves should not be held to fund ongoing expenditure. This would be unsustainable, as at some point the reserves would be exhausted. If reserves are used to meet short term funding gaps, they must be replenished in the following year. However earmarked reserves that have been used to meet a specific liability would not need to be replenished, having served the purpose for which they were originally established.

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

RINGFENCED RESERVES

Are held for one purpose only and cannot be transferred, for example grants allocated for a specific project only, which may not be used for any other purpose. The Responsible Financial Officer will keep a schedule of reserves held at the year-end within the council's finances.

- Community Infrastructure Levy

CIL Regulation 59C sets out that a local council must use CIL receipts passed to it to 'support the development of the local council's area, or any part of that area, by funding:

- a) the provision, improvement, replacement, operation or maintenance of infrastructure: or
- b) anything else that is concerned with addressing the demands that development places on an area.

- S106 Developers Contribution

generated through new housing developments.

- Other ringfenced funds

for example, donations/grants for a specific item could occur during the year.

Policy Control Sheet

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