

ACKLINGTON PARISH COUNCIL

FINANCIAL RESERVES POLICY

1. Purpose

This policy sets out how Acklington Parish Council will establish, maintain and review financial reserves in accordance with:

- Local Government Finance Act 1992
- Accounts and Audit Regulations
- Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide
- Society of Local Council Clerks (SLCC) guidance
- National Association of Local Councils (NALC) guidance

The Responsible Financial Officer (RFO) will advise the Council annually on the appropriate level of reserves during the budget and precept setting process.

2. Objectives

The Council will maintain reserves to:

- provide working capital for day-to-day cash flow;
- protect against unforeseen expenditure;
- finance planned capital projects;
- avoid unnecessary borrowing;
- support asset maintenance and replacement;
- provide financial resilience.

3. Types of Reserves

3.1 General Reserve

The General Reserve is held to meet unexpected expenditure and manage financial risk.

Target level: between 3 and 12 months of Net Revenue Expenditure (NRE).

For a small parish council with limited income sources, a reserve towards the upper end of this range may be appropriate.

3.2 Earmarked Reserves

Earmarked Reserves are funds set aside for specific approved purposes, such as:

- Asset replacement
- Cemetery maintenance
- Play equipment
- Election costs

- IT equipment and software
- Community projects
- Environmental initiatives
- Major repairs

Each earmarked reserve will have a defined purpose, target amount and review date.

4. Determining the Level of General Reserve

When reviewing the reserve level, the Council will consider:

- annual operating expenditure;
- cash flow requirements;
- contractual obligations;
- insurance excesses;
- asset condition and replacement needs;
- potential legal liabilities;
- inflation and cost increases;
- known future commitments.

5. Use of Reserves

Reserve type	Permitted use
General Reserve	Emergencies, significant unbudgeted expenditure, cash flow management
Earmarked Reserve	Only for the purpose approved by Council

Reserves should not normally be used to fund recurring annual expenditure.

6. Governance

Full Council

- Approves this policy.
- Approves reserve levels.
- Approves transfers to and from reserves.

Responsible Financial Officer

- Advises on appropriate reserve levels.
- Monitors reserve balances.
- Reports to Council.
- Ensures compliance with proper accounting practices.

7. Financial Reporting

Reserve balances will be reported:

- during budget preparation;
- at year end;
- through the Annual Governance and Accountability Return (AGAR).

8. Review

This policy will be reviewed annually during the budget setting process or sooner if legislation or guidance changes.

9. Policy Statement

Acklington Parish Council recognises that maintaining adequate reserves is an essential element of sound financial management. Reserves will be maintained at levels sufficient to protect the Council against financial risk while ensuring that public funds are used efficiently, transparently and for the benefit of the parish community.

10. Adoption

This IT, GDPR & Data Protection Policy was adopted by Acklington Parish Council:

Date: _5th May 2026_____

Signed: _S Ingleby_____ (Chair)

Signed: _B Watson_____ (Clerk)