Ockley Parish Council
General Reserves Policy
Adopted: July 2026

1. Introduction

Ockley Parish Council is required to maintain adequate financial reserves to support its operations, manage financial risk, and ensure long-term financial stability.

This policy sets out how the Council determines, maintains, and reviews the level of reserves.

Guidance from the Smaller Authorities Proper Practices Panel (SAPPP) (March 2025) states that:

- Authorities must hold sufficient reserves to meet day-to-day operations and future plans.
- Reserves must be reviewed and justified at least annually.
- Transparency in the level and purpose of reserves is considered good practice.

Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to consider the level of reserves when calculating their annual budget requirement.

There is no prescribed minimum level of reserves. Responsibility for advising on the adequacy of reserves rests with the Responsible Financial Officer (RFO).

2. Types of Reserves

The Council maintains two types of reserves:

2.1 General Reserves

General Reserves are unrestricted funds held to:

- Manage cash flow fluctuations
- Provide a contingency for unforeseen events
- Support the Council in the event of unexpected expenditure

The level of General Reserves is determined annually as part of the budget-setting process.

SAPPP guidance recommends that General Reserves should typically be maintained at between 3 – 12 months of net revenue expenditure, depending on the size and activity level of the authority.

Ockley Parish Council will maintain General Reserves at a level equivalent to between 3 – 6 months of predicted expenditure.

General Reserves will be built up through:

- Budgetary provision
- Underspends from completed projects
- Reallocation of surplus funds

Where General Reserves are significantly reduced, a plan will be agreed by the Council to restore them to the target level within a reasonable timeframe.

In exceptional circumstances, where General Reserves are insufficient, the Council may temporarily utilise Earmarked Reserves to support cash flow, subject to formal approval.

2.2 Earmarked Reserves (EMRs)

Earmarked Reserves are funds set aside for specific purposes and must only be used for their intended use.

EMRs may be established for:

- **Asset renewal and maintenance –** to fund replacement or refurbishment of Council assets
- **Project carry forwards –** where expenditure is committed but not incurred within the financial year
- **Developer contributions –** where funds are legally restricted to specific purposes
- **Known or predicted liabilities –** where future expenditure has been identified

Each EMR must:

- Have a clearly defined purpose
- Be reviewed annually
- Be justified in terms of its level

Where an EMR is no longer required, or is overfunded, the Council may approve the reallocation of funds to:

- General Reserves
- Another Earmarked Reserve
- The revenue budget

EMRs will be established and approved by full Council.

Where EMRs are used to support short-term funding gaps, they should normally be replenished in the following financial year. EMRs established for specific liabilities do not require replenishment once the purpose has been fulfilled.

3. Management and Control of Reserves

The RFO is responsible for:

- Monitoring the level of reserves
- Advising the Council on their adequacy
- Reporting on movements in reserves

All movements to and from reserves must be approved by the Parish Council and recorded in the minutes.

The Council will:

- Review General Reserves annually as part of the budget-setting process
- Review each Earmarked Reserve individually on an annual basis
- Ensure that all reserves are clearly reported in financial statements and budget reports

A schedule of reserves, including their purpose and balance, will be maintained and published in accordance with transparency requirements.

4. Review of Policy

This policy will be reviewed annually as part of the budget-setting process.

Next review due: July 2027