



Barrowby Parish Council

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Reserves Policy

Document control

- **Owner:** Full Council
- **Responsible officer:** Responsible Financial Officer
- **Reviewed by:** Finance Committee
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- **Next review due:** January–March 2027 by the Responsible Financial Officer and Finance Committee, with recommendation to Full Council for formal adoption at the Annual Parish Council Meeting in May 2027.

1. Purpose

1.1 This Reserves Policy sets out how Barrowby Parish Council will determine, hold, use, monitor and review its financial reserves.

1.2 The purpose of holding reserves is to ensure that the Council has sufficient funds to:

- a. meet day-to-day cashflow requirements;
- b. manage unexpected expenditure or loss of income;
- c. meet known future liabilities;
- d. fund planned projects, repairs or replacements;
- e. manage financial risk; and
- f. avoid unnecessary or excessive increases in the precept.

1.3 The Council shall not hold reserves without proper reason. Reserves shall be reviewed and justified regularly as part of transparent and responsible financial management.

2. Scope

2.1 This policy applies to all reserves held by Barrowby Parish Council.

2.2 Reserves are divided into:

- a. **General Reserve** — funds held to support the Council's day-to-day working capital and protect against unexpected or emergency expenditure; and
- b. **Earmarked Reserves** — funds set aside for specific projects, risks, liabilities, asset replacement, committed expenditure or future known costs.

2.3 This policy shall be read alongside the Council's Financial Regulations, Standing Orders, Scheme of Delegation, Finance Committee Terms of Reference, approved budget, asset register, risk management arrangements and annual accounts.

3. Legislative and governance framework

3.1 The Council shall consider the level of reserves required when preparing and approving its annual budget and precept.

3.2 The Council shall follow proper practices as set out in the most recent edition of *Governance and Accountability for Smaller Authorities in England: A Practitioners' Guide*.

3.3 The Council's Financial Regulations provide that:

- a. the draft budget shall include earmarked reserve requirements and general reserve requirements;
- b. the Council shall consider the reserves position before setting the budget and precept;
- c. the final budget and precept shall be approved by Full Council;
- d. the Council shall review its reserves as part of the annual budget process; and
- e. any addition to, withdrawal from or reallocation of earmarked reserves shall be approved by Full Council.

3.4 The Finance Committee may review earmarked reserves and the general reserve position as part of the budget process and during the financial year, and may recommend additions, withdrawals or reallocations to Full Council. Decisions to create, use, reduce or reallocate earmarked reserves remain with Full Council unless expressly delegated.

3.5 The Scheme of Delegation provides that delegated authority must be exercised in accordance with the Council's Standing Orders, Financial Regulations, approved budget, policies, procedures and Council resolutions. It also provides that matters which are sensitive, contentious, unusual, financially significant or outside delegated authority may be referred to Full Council.

4. General Reserve

4.1 The General Reserve is held to provide working capital and protect the Council against unexpected financial pressures.

4.2 The General Reserve may be used for:

- a. short-term cashflow pressures;
- b. unexpected emergency expenditure;
- c. unforeseen repair or maintenance costs;
- d. temporary loss or delay of income;
- e. urgent action needed to protect Council assets or services;
- f. costs that cannot reasonably be met from the current year's budget; and
- g. other unforeseen events approved by Full Council.

4.3 The General Reserve shall not normally be used to fund ongoing recurring expenditure unless Full Council has agreed a clear plan to replace the reserve or address the budget pressure.

4.4 The Council shall aim to maintain a General Reserve at a prudent level having regard to:

- a. the size of the annual budget and precept;
- b. regular monthly expenditure;
- c. timing of income receipts, including precept instalments;
- d. exposure to unexpected asset, maintenance or insurance costs;
- e. the number and type of services, assets and facilities managed by the Council;
- f. the level of earmarked reserves held for specific purposes;
- g. inflation, contractual increases and wider financial risk; and
- h. advice from the Responsible Financial Officer.

4.5 As a working principle, the Council shall normally aim to hold a General Reserve equivalent to **between three and six months of net revenue expenditure**, unless Full Council determines that a higher or lower level is justified by local circumstances.

4.6 Where the General Reserve falls below the target range, the Responsible Financial Officer shall report this to the Finance Committee and Full Council, with recommendations for restoring the reserve over a reasonable period.

4.7 Where the General Reserve is significantly above the target range, the Finance Committee shall review whether funds should be reallocated, earmarked for specific purposes, used to reduce future precept pressure, or otherwise managed in accordance with the Council's financial priorities.

5. Earmarked Reserves

5.1 Earmarked Reserves are funds set aside for a specific purpose.

5.2 Earmarked Reserves may be created for:

- a. planned asset replacement;
- b. major repairs or maintenance;
- c. elections;
- d. legal, professional or consultancy costs;
- e. insurance excesses or uninsured risks;
- f. staffing or employment liabilities;
- g. community projects;
- h. play area, open space, building or burial ground works;
- i. tree works and environmental projects;
- j. defibrillators and community safety assets;
- k. neighbourhood planning or policy review costs;
- l. grants received for a specific purpose;
- m. Community Infrastructure Levy, Section 106 or similar restricted funds, if received;
- n. committed but incomplete projects; and
- o. any other specific purpose approved by Full Council.

5.3 Earmarked Reserves shall be supported by a clear description of:

- a. the purpose of the reserve;
- b. the reason it is needed;
- c. the target amount, where known;
- d. the expected timescale for use, where known;
- e. any restrictions on use; and
- f. whether the reserve is funded from precept, grant, donation, CIL, S106, underspend or other income.

5.4 Earmarked Reserves shall not be created merely to hold surplus funds without a clear purpose.

5.5 Funds held for a specific external purpose, such as grants, CIL or S106 funds, shall be separately identified and used only in accordance with any legal or funding restrictions.

6. Creation, use and movement of reserves

6.1 New Earmarked Reserves shall be approved by Full Council.

6.2 Additions to, withdrawals from, reductions of, or reallocations between Earmarked Reserves shall be approved by Full Council.

6.3 The Finance Committee may review reserve levels and make recommendations to Full Council.

6.4 The Responsible Financial Officer shall maintain records of all reserves and report them clearly in budget monitoring and year-end financial information.

6.5 Unspent budgets for completed projects shall not automatically be carried forward.

6.6 Unspent funds for partially completed or already-approved projects may be carried forward only where Full Council approves that they be placed in an Earmarked Reserve.

6.7 Where expenditure is to be funded from an Earmarked Reserve, the Council or authorised committee shall ensure that the expenditure is lawful, within the purpose of the reserve, properly authorised, and in accordance with Financial Regulations.

7. Review of reserves

7.1 The Committee shall receive reports confirming that bank reconciliations have been prepared and 7.1 The Council shall review its reserves at least annually as part of the budget-setting process.

7.2 The annual review shall consider:

- a. the adequacy of the General Reserve;
- b. the purpose and level of each Earmarked Reserve;
- c. whether each reserve is still required;
- d. whether any reserve should be increased, reduced, closed or reallocated;
- e. anticipated future expenditure;
- f. asset condition and replacement needs;
- g. project commitments;
- h. financial risks;
- i. audit recommendations;
- j. inflation and contractual pressures;
- k. the impact on the precept; and
- l. whether the Council is holding excessive or insufficient reserves.

7.3 The Responsible Financial Officer shall provide reserve information to the Finance Committee and Full Council as part of the budget process.

7.4 The Finance Committee shall review the reserves position and make recommendations to Full Council.

7.5 Full Council shall approve the reserves position when approving the annual budget and precept.

8. Audit and Annual Governance and Accountability Return

8.1 The Responsible Financial Officer shall report reserve balances to the Finance Committee and/or Full Council at least quarterly as part of budget monitoring.

8.2 Year-end reserve balances shall be reported to Full Council as part of the annual accounts and AGAR process.

8.3 The Council shall ensure that reserves are clearly identified in its accounting records.

8.4 The Council shall publish financial information in accordance with statutory requirements, proper practices and its publication scheme.

9. Use of reserves in urgent situations

9.1 The use of reserves in urgent situations shall comply with the Council's Financial Regulations and Scheme of Delegation.

9.2 Where urgent expenditure is necessary to protect Council assets, services, public safety, legal compliance or business continuity, the Clerk and/or Responsible Financial Officer may act only within the limits set out in the Financial Regulations and Scheme of Delegation.

9.3 Any urgent use of reserves shall be recorded and reported to the next appropriate meeting of Full Council.

9.4 Urgent use of reserves does not remove the requirement for lawful expenditure, proper authorisation, procurement compliance and an audit trail.

10. Procurement and contracts

10.1 **Full Council** is responsible for:

- a. approving this policy;
- b. approving the annual budget and precept;
- c. approving the overall reserves position;
- d. creating, using, reducing or reallocating Earmarked Reserves;
- e. approving any reserve movements not otherwise delegated; and
- f. ensuring reserves are reasonable, justified and transparent.

10.2 **Finance Committee** is responsible for:

- a. reviewing the General Reserve and Earmarked Reserves;
- b. considering reserve requirements as part of the budget process;
- c. reviewing reserve levels during the financial year where appropriate;
- d. considering advice from the Responsible Financial Officer; and
- e. making recommendations to Full Council.

10.3 **Responsible Financial Officer** is responsible for:

- a. maintaining accurate reserve records;
- b. advising on appropriate reserve levels;
- c. reporting reserve balances and movements;
- d. ensuring reserves are shown correctly in financial reports and year-end accounts;
- e. identifying any risk of insufficient or excessive reserves; and
- f. advising whether proposed reserve use is lawful, affordable and consistent with this policy and the Financial Regulations.

10.4 **Clerk / Proper Officer** is responsible for:

- a. supporting the governance process for reserve decisions;
- b. ensuring reserve decisions are properly recorded in agendas, reports and minutes;
- c. advising on legal powers and governance implications where relevant; and
- d. working with the Responsible Financial Officer where reserve decisions affect Council operations, services, assets or legal obligations.

11. Current approach at Barrowby Parish Council

11.1 Barrowby Parish Council currently holds reserves as agreed through the annual budget process.

11.2 The Council does not currently hold loans, leases, hire purchase arrangements or investments other than bank balances and reserves held as part of normal financial management.

11.3 The Council's reserves shall be reviewed as part of annual budget setting, with the Finance Committee reviewing and making recommendations and Full Council approving the final budget, precept and reserve position.

11.4 Reserve headings should, where practicable, reflect the Council's known responsibilities and likely financial risks, including but not limited to:

- a. General Reserve;
- b. Elections Reserve;
- c. Staffing / Employment Reserve;
- d. Legal and Professional Fees Reserve;
- e. Buildings and Assets Reserve;
- f. Play Parks / Open Spaces Reserve;
- g. Burial Ground Reserve;
- h. Allotments Reserve;
- i. Tree Works / Environmental Projects Reserve;
- j. Defibrillators / Community Safety Reserve;
- k. IT / Website / Systems Reserve;
- l. Insurance / Risk Reserve;
- m. Community Projects Reserve;
- n. Neighbourhood Plan / Planning Reserve; and
- o. Grants / Restricted Funds Reserve, where applicable.

11.5 The Council is not required to hold all of the above reserves. Reserve headings shall be created, retained or removed according to actual need and Full Council approval.

12. Review of policy

12.1 This policy shall be reviewed at least annually.

12.2 It shall be reviewed earlier if required by:

- a. changes in legislation;
- b. changes in proper practices;
- c. changes in Financial Regulations;
- d. audit recommendations;
- e. significant changes in Council assets or responsibilities;
- f. significant unexpected expenditure;
- g. changes in income, precept or reserves; or
- h. Council resolution.