

Feckenham Parish Council

Reserves Policy

1. Purpose of the Policy

This policy explains how Feckenham Parish Council will hold, manage and review its reserves so that it remains financially stable, can meet unexpected costs, and can plan responsibly for known local priorities.

Sections 32 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 their budget requirement. The Smaller Authorities Proper Practices Panel (SAPPP) Practitioners' Guide sets out proper practices for smaller authorities and states that smaller authorities should hold sufficient general and earmarked reserves to finance day-to-day operations and future plans, while ensuring that reserves are regularly reviewed, justified, transparent and not excessive.

For a small parish council, the commonly used range for general reserves is between three and twelve months of net revenue expenditure. Because Feckenham Parish Council is a small authority, and because it faces local financial uncertainty, the Council will normally aim to maintain general reserves at the higher end of this range, around twelve months of net revenue expenditure, unless a different level is clearly justified by the annual risk assessment and recorded by the Council.

This higher level is considered prudent because there may be changes in who is able or expected to fund drainage and flood-related works. It also allows the Council to remain prepared for possible future discussions about local government reorganisation, unitary authority arrangements, or requests relating to local assets and services, without assuming that any additional responsibilities will be transferred to the parish.

2. Types of Reserves

2.1 Earmarked Reserves (EMRs)

Earmarked reserves are amounts set aside for a specific purpose. They are useful for a small parish council because they allow the Council to plan for known costs, local projects, and commitments that may fall across more than one financial year.

Earmarked reserves should only be created where there is a clear reason for doing so, and the amount held should be reasonable and regularly reviewed.

- **Defined Purpose:** Each earmarked reserve must have a clear, documented objective.
- **Regular Review:** Reserves will be reviewed at least annually as part of the budget-setting process to confirm they are still required and appropriately funded.

- **Use and Approval:** Use of earmarked reserves must be approved by formal resolution of the Council at a properly convened meeting. Funds must be used only for the stated purpose unless reallocated by further Council approval.

Current earmarked reserve commitments at the date of adoption:

| Reserve purpose | Current or estimated amount | Reason | Review point |
|--|--|--|--|
| Flood and drainage works | £35,000, plus any additional amount approved if project costs increase | To support planned flood and drainage improvements affecting the parish. | Review at least annually and when updated project costs are known. |
| BESS planning consultancy | Approximately £9,000 | To obtain specialist planning advice on Battery Energy Storage System applications. | Review when the planning matter is concluded or costs change materially. |
| Major housing development planning consultancy | Approximately £5,000 | To obtain specialist advice on potential larger housing developments affecting the parish. | Review when the planning matter is concluded or costs change materially. |

These amounts are current estimates and should be updated through the Council's normal budget, monitoring and minute-recording processes.

2.2 General Reserves

General reserves are funds that are not set aside for a specific project. They provide a financial safety net so that the Council can respond to unexpected events, short-term cashflow pressures, emergency repairs, or other unavoidable costs without immediately needing to increase the precept or cut essential activity.

For this policy, net revenue expenditure means the Council's annual running costs after excluding loan repayments, capital project amounts and transfers to earmarked reserves. It is used as a practical measure for assessing the appropriate level of general reserves.

Key Principles:

- **Risk-Based Assessment:** The level of general reserves will be based on the Council's size, responsibilities, regular income and expenditure, asset risks, local project commitments, and the likelihood of unexpected costs.

- **Recommended Level:** In line with SAPP proper-practice guidance for smaller authorities, the Council will normally aim to hold general reserves of around twelve months of net revenue expenditure. This reflects the Council's small size and the need to maintain resilience against unexpected costs, cashflow timing differences, local risks, uncertainty around future funding for drainage and flood-related works, and possible future discussions about local assets or services. This does not assume that additional responsibilities will be transferred to the parish. Any decision to hold a materially higher or lower level must be supported by the annual risk assessment and recorded in the Council minutes.
- **Use of Reserves:** General reserves should only be used where expenditure is necessary, reasonable, and cannot be met from an existing budget heading. Any use must be approved by formal resolution of the Council and recorded in the minutes.

Examples of appropriate use:

- Emergency repairs or urgent health and safety work.
- Temporary shortfalls in income or timing differences in grant funding.
- Unexpected local events, severe weather impacts, or other exceptional circumstances affecting the parish.
- Preparatory, transitional, or additional costs arising from future discussions or requests relating to local responsibilities, assets, or services, such as street lighting, the recreation field, or other community facilities, where approved by the Council.

3. Monitoring and Reporting

- The Clerk/Responsible Financial Officer (RFO) will report reserve balances to the Council at least quarterly, or more frequently where significant reserve spending is proposed.
- The adequacy of reserves will be reviewed each year when setting the budget and precept.
- Reserve movements will be clearly recorded in the Council's financial records so that they can be checked through internal control and audit arrangements.

Annual review checklist:

- Are all earmarked reserves still needed for genuine and intended purposes?
- Are the amounts held in each earmarked reserve reasonable and supported by current estimates?
- Have flood and drainage funding assumptions changed, including whether costs may fall partly or wholly to the Parish Council?
- Are there any emerging discussions, proposals, or requests relating to local government reorganisation, unitary authority arrangements, asset transfers, or service transfers that could affect the Council's future responsibilities or costs?

- Is the general reserve close to the Council’s target of around twelve months of net revenue expenditure?
- Have any reserve movements been approved and recorded in the minutes?
- Would the level or purpose of any reserve be clear to residents, internal audit and external audit?

4. Governance and Transparency

- The Council will publish its Reserves Policy on its website.
- Any decision to create, amend, reallocate, or draw from reserves must be approved by formal resolution of the Council and recorded in Council minutes.
- The policy will be reviewed annually, or sooner if there is a significant change in the Council’s financial position, responsibilities, legislation, proper-practice guidance, or local risks.

5. Conclusion

Maintaining appropriate reserves helps Feckenham Parish Council manage risk, meet local responsibilities, and plan for future expenditure in a careful and transparent way. Given the uncertainty around flood and drainage funding, and the possibility of future discussions about local assets or services, the Council considers it prudent to maintain general reserves at the higher end of the smaller-authority range. This does not assume that additional responsibilities will be transferred to the parish. The Council will avoid holding excessive funds without clear justification, while ensuring that sufficient resources are available to protect services, assets and residents’ interests.

6. Adoption and Review

This policy was adopted by Feckenham Parish Council and will be reviewed annually as part of the Council’s budget and precept-setting process, or sooner if there is a significant change in legislation, SAPP proper-practice guidance, the Council’s financial position, or local risk profile.

| | |
|----------------------------|---|
| Adopted by | Feckenham Parish Council |
| Date adopted | 4 June 2026 |
| Minute reference | P499/9/F |
| Review frequency | Annually, as part of budget and precept setting |
| Next review due | January 2027 |
| Responsible officer | Clerk/Responsible Financial Officer (RFO) |