

LAVERSTOCK & FORD PARISH COUNCIL

Report for Agenda Item PC26.056(h) Review of Reserves Policy

Subject: Review of Reserves Policy
Date: 12th May 2026
Author: Andrew Prince, RFO

1. Report Summary.

- 1.1 This report presents an updated Reserves Policy for the approval of the Council.

2. Background.

- 2.1 The Local Government Act 1992 requires Local Authorities to maintain reserves in order to meet estimated future expenditure.
- 2.2 The Smaller Authorities Proper Practices Panel (SAPPP) states that the authority should put in place a General Reserve Policy and have reviewed the level and purpose of all Earmarked Reserves.
- 2.3 The Reserves Policy explains the reserve funds that are held by the Council and how they should be managed.

3. Report

- 3.1 The 2026 Reserves Policy is attached at Annex 1.

4. Recommendation.

- 4.1 That the Council approve the Reserves Policy dated 18th May 2026.

LAVERSTOCK AND FORD PARISH COUNCIL

RESERVES POLICY

Purpose	To define and agree the level of Financial Reserves	2026 Review
Scope	Councillors, officers	
Date adopted	17 th June 2024	18 th May 2026
Minute Ref:	24.097	PC26.056(h)
Previous	None	
Next Review	June 2026	May 2027
Policy Owner	Full Council	
Supersedes	None	Issue 10 th June 2025

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1. Introduction

1.1 Laverstock and Ford Parish Council is required to maintain adequate financial reserves to meet the needs of the organisation. The purpose of this policy is to set out how the Council will determine, manage and review the level of reserves.

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

1.3 This policy follows recommendations and guidance by the following.

- Smaller Authorities Proper Practices Panel (SAPPP). Practitioners' Guide.
- The Chartered Institute of Public Finance & Accountancy. CIPFA Bulletin 13 - Local Authority Reserves and Balances.

2. Types of Reserves

2.1 Reserves are categorised as **Earmarked** or **General**.

2.2 **Earmarked Reserves** are funds that are restricted to a specific function of the Council and which cannot be used for any other purpose

without the permission of the provider of the funds, or exceptionally by resolution of full council. They include the following categories.

2.2.1 Long-term maintenance funds provided by a developer to support land or facilities that have been transferred to the Council in accordance with an S106 Agreement.

2.2.2 Funds provided by a developer to construct, improve or enhance community land or facilities in accordance with an S106 Agreement.

2.2.3 Funds provided by another organisation as a grant to carry out a specific task or to make a specific provision.

2.2.4 Funds provided in accordance with Community Infrastructure Levy legislation that can only be used in accordance with the regulations approved by Wiltshire Council.

2.2.5 Funds set aside by the Council, from income received including the precept, that are allocated to a specific task or function that lies outside day-to-day budgeted revenue expenditure. This reserve shall include the funds that are required to renew or refurbish the Council's assets at the end of their service life. These funds can be re-allocated by resolution of full council.

2.2.6 Unspent Grant funds from the Revenue Budget will be held in a separate earmarked reserve and not returned to the General Reserve.

2.3 **General Reserves** are funds which do not have any restrictions as to their use. These reserves are held to cushion the impact of uneven cash flow or as a contingency to cushion the impact of unexpected events or emergencies.

3. **Management of Earmarked Reserves**

3.1 Earmarked Reserves that arise from maintenance contributions by developers shall be written down by a fixed percentage (usually 5% for a 20-year contribution) every year. The total annual write-down for all such Earmarked Reserves shall be allocated to the Revenue Budget to support the precept and will cover routine maintenance operations such as grass-cutting, bin emptying, play area inspections, and the cost of Public Liability Insurance.

3.2 Significant maintenance operations that cost £100 or more will be deducted from the individual asset Earmarked Reserve . An exception is the cost of tree work and inspection. This shall be funded from the Tree budget.

3.3 Earmarked Reserves will be approved by Full Council at the start of each Financial Year. No expenditure other than that identified on

approval shall be made from an Earmarked Reserve except with the approval of the Full Council.

4. Management of General Reserve

4.1 With approval of the Full Council the General Reserve can be used to support an overspend on any item in the revenue budget. At the end of the Financial Year any underspend on an item of the revenue budget will be transferred to the General Reserve. Exceptionally unspent Grant funds will be held in a Grant Reserve (see 2.2.6).

4.2 The Smaller Authorities Proper Practices Panel Practitioners' Guide gives the following guidance on General Reserves.

4.2.1 The general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances.

4.2.2 The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure (NRE).

4.2.3 The reason for the wide range is to cater for the large variation in activity level between individual authorities. The smaller the authority, the closer the figure may be to 12 months expenditure, the larger the authority, the nearer to 3 months. In practice, any authority with income and expenditure in excess of £200,000 should plan towards 3 months equivalent general reserve.

4.3 The Council shall endeavour to retain a **minimum of 4 months of NRE** as a General Reserve. This is £130,887 at current forecast levels of NRE for 2026-27.

4.4 The General Reserve of Laverstock and Ford Parish Council at the end of the 2025-26 Financial Year was £130,390 which is in line with the target minimum.

4.5 All expenditure from the General Reserve shall be approved by Full Council.

4.6 The RFO shall report on the level of General Reserve to the Finance and General Purposes Committee at least once every quarter.