FITZHEAD PARISH COUNCIL

Reserves Policy

This policy was adopted by Fitzhead Parish Council in May 2026

1. Purpose of the Policy

As with any financial entity, it is essential that parish councils have sufficient reserves to finance both their day-to-day operations and future plans.

The Practitioners' Guide (the Guide) issued by the Smaller Authorities Proper Practices Panel advises that a parish council also needs to have regard to the need to put in place a General Reserve Policy and have reviewed the level and purpose of all Earmarked Reserves[1].

This policy sets out how Fitzhead Parish Council (the Council) will determine and review the level, purpose and management of its financial reserves, in accordance with proper practices.

This policy supports sound financial management, effective budgeting and the safeguarding of public funds.

2. Types of Reserves

The Council maintains the following types of reserves:

- *General Reserve* The general reserve represents the Council's working balance and contingency fund to cover unexpected inflation, unforeseen events and unusual circumstances.
- *Earmarked Reserves (EMRs)* Earmarked reserves are sums set aside for specific purposes or projects and are separately identified and enumerated.

3. Level of Reserves

3.1 General Reserve Level

The Council will determine the level of its general reserve based on risk, expenditure and income streams. In doing so, it will have regard to the generally accepted recommendation that the general reserve should be maintained at between three and twelve months of net revenue expenditure[2] as appropriate to the size, situation and risks managed by the Council.

[1] Smaller Authorities Proper Practices Panel, Practitioners' Guide 2026/27 para 1.13
[2] Smaller Authorities Proper Practices Panel, Practitioners' Guide 2026/27 para 5.34

The Council will:

- Set a target reserve level within this range;
- Record its rationale in the minutes; and
- Adjust the level where local circumstances justify doing so.

The Council will budget to ensure that the adopted level is maintained.

Where the reserve is below or above this range, the Council will document and explain its reasoning.

3.2 Earmarked Reserves

The Council will hold Earmarked Reserves only where there is a clear and specific purpose. There is: no upper or lower limit but they must be held for genuine and identifiable purposes and projects.

The Guide states: "Their level should be subject to regular review and justification (at least annually and at budget setting).[3]" Each Earmarked Reserve will therefore:

- Have a clearly defined purpose;
- Be supported by a cost estimate or planned expenditure;
- Be separately identified in financial records; and
- Be reviewed at least annually.
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4. Relationship to Budget Setting

Reserves should be reviewed and justified regularly (at least annually)[4]. Accordingly, the Council will:

- Review all reserves during budget preparation;
- Ensure reserves are appropriate to planned expenditure and risk;
- Avoid holding excessive balances without justification.

The level of reserves will reflect the Council's risk profile, including:

- Exposure to unforeseen expenditure;
- Dependence on income sources;
- Asset maintenance and replacement needs;
- Planned capital projects.

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[3] Smaller Authorities Proper Practices Panel, Practitioners' Guide 2026/27 para 5.39
[4] Smaller Authorities Proper Practices Panel, Practitioners' Guide 2026/27 para 5.32

5. Review and Reporting

The Council will:

- Review this policy annually;
- Review all reserves annually as part of budget setting;
- Record decisions and rationale in the minutes; and
- Report reserve levels transparently in financial statements.

6. Responsibilities

The Responsible Financial Officer (RFO) will:

- Advise the Council on reserve levels;
- Maintain records of reserves;
- Present annual reviews.

The Council will:

- Approve the reserves policy;
- Determine reserve levels;
- Review and justify reserves annually.