

Audley Rural Parish Council

FINANCIAL RESERVES POLICY – May 2026

Purpose

Audley Rural Parish Council is required to maintain adequate Financial Reserves to meet the needs of the Parish Council. The purpose of this policy is to set out how the Council will determine and review the level of Reserves. 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 Parish Clerk/Responsible Finance Officer to advise the Council about the level of Reserves and to ensure that there are procedures for their establishment and use.

Types of Reserves

Reserves may be categorised as General or Earmarked. Earmarked Reserves can be held for several reasons and are intended to be restricted for that agreed use. General Reserves are funds that do not have any restrictions as to their use. These Reserves can be used to smooth the impact of uneven cash flows, offset the budget requirement, if necessary, or can be held in case of unexpected events or emergencies.

Earmarked Reserves – Earmarked Reserves will be established on a ‘needs’ basis, in line with anticipated requirements. Any decision to set up a Reserve must be given by the Parish Council. Expenditure from Reserves can only be authorised by the Parish Council. Reserves will not be held to fund ongoing expenditure. This would be unsustainable as, at some point, the Reserves would be exhausted. To the extent that Reserves are used to meet short term funding gaps, they must be replenished in the following year. However, Earmarked Reserves that have been used to meet a specific liability (or project) would not need to be replenished, having served the purpose for which they were originally established.

General Reserves – the level of General Reserves is a matter of judgment and so this policy does not attempt to prescribe an overall level. However, the current level of General Reserves to be held by the council is targeted to be at least 3 months* and no more than 12 months of the annual expenditure figure (*note this would be approx £18k per month – so between £54k to £ 216k based on 25/26).

The primary means of building General Reserves will be through an allocation from the annual budget. This will be in addition to any amounts needed to replenish Reserves that have been consumed in the previous year.

Current reserves are as follows:

<u>Reserve</u>	<u>OpeningBalance</u>	<u>Transfers</u>	<u>Spend</u>	<u>Receipts</u>	<u>CurrentBalance</u>
Earmarked					
Car park project Church £85000	75,210.92		5.50		75,205.42
Elections 13000	13,000.00				13,000.00
Neighbourhood Plan modificatio					0.00
Local Plan legal challenge AB2 :					0.00
Leddys Field Tree work Autumn					0.00
Bignall End Road	50,000.00				50,000.00
Grant C/fwd for Churchyard tool	350.00	-350.00			0.00
Grant C/fwd for Churchyard tool	350.00		350.00		0.00
Total Earmarked	138,910.92	-350.00	355.50		138,205.42
TOTAL RESERVE	138,910.92	-350.00	355.50		138,205.42

As at April 2026 there is £390k in the bank. The budgeted spend for 26/27 is £225k plus there is £138k earmarked for the reserves as above. This would leave General Fund (free) reserves of £27k plus VAT reclaim of £19k – total free reserves of £46k which is under the recommended amount therefore in year savings will be needed or projects pushed forward.

The Council must build and maintain sufficient working balances to cover the key risks it faces, as expressed in its Business Risk Assessment, which is reviewed annually in May. If, in extreme circumstances, General Reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Council would be able to draw down from its Earmarked Reserves to provide short-term resources. The Council is increasingly responsible for management of buildings, land (including play equipment and trees) and employment of staff. Even at times when extreme pressure is put on the Council's finances the Council must keep a minimum balance, sufficient to pay three month's salaries to staff, in General Reserves at all times.

Opportunity costs of holding Reserves

In addition to allowing the Council to manage unforeseen financial pressures and plan for known or predicted liabilities, there is a benefit to holding Reserves in terms of the interest earned on funds which are not utilised. This investment income is fed into the budget strategy. However, there is an “opportunity cost” of holding funds in Reserves, in that these funds cannot then be spent on anything else. Given the opportunity costs of holding Reserves, it is critical that Reserves continue to be reviewed each year as part of the budget process to confirm that they are still required and that the level is still appropriate.

The Parish Council does not hold investments and earmarked funds are split between two instant access savings accounts.

Policy in Practice

The Council will hold Reserves for these three main purposes: -

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of the General Reserves
- A contingency to cushion the impact of unexpected events or emergencies – this also forms part of the General Reserves
- A means of building up funds (Earmarked Reserves), to meet known or predicted requirements.

Current level of financial reserves

The level of financial reserves held by the council will be agreed by the Parish Council during the discussions held regarding the setting of the budget for the next financial year. **See Approved Budget for 26/27 overleaf.**

Approved budget 26/27

Cost Code	Cost Centre	Budget
Staffing costs (all employer costs related)	Administration	47000
Other office expenses	Administration	515
Office Admin inc Scribe	Administration	1500
Chairs Allowance	Administration	1400
Comms/Website/Email	Administration	1000
Stationery	Administration	400
Staff Costs Mileage	Administration	250
Standard office expenses	Administration	1140
Training	Administration	
Training and Expenses Cllrs	Administration	
Insurance	Administration	4000
Audit	Administration	840
Subs SWT SPCA CPRE etc	Administration	1500
Professional Fees Locum	Administration	
Bank Charges	Administration	50
Elections General	Administration	10000
Legal	Administration	
Allotments Audley	Allotments	800
Allotments Halmer End	Allotments	800
Maintenance/Legal fees	Audley Parish Bowling Club	2000
Bus Subsidy Contract	Bus Subsidy	33000
Car parks maintenance	Car parks	3000
Inspection	Car parks	900
Grants Programme	Community Activity	4000
Audley Church Car park inc fees	Earmarked reserves (£75k remaining 26_27)	
Car Park Bignall End Rd inc fees	Earmarked reserves(50k)	
Donations/Remembrance Day S137 Activities	Community Activity	5000

AMGT donation	Community Activity	2000
AMGT Tree work phase 2	Community Activity	5000
Bus Shelters, Seats and Noticeboards	Council Assets	4120
Leddys Field Maintenance	Council Assets	3000
Margarets Garden	Council Assets	800
Blue bell woods	Council Assets	515
Bus Shelter STBH project	Council Assets	0
Annual Maintenance Contract other items	Council Assets	500
Podmore cottages	Council Assets	100
ASB issues	Council Assets	0
Litter Bin Empty contract 4 bins	Council Assets	600
Leddys Field bin empty weekly	Council Assets	70
Leddys Field Tree work phase 3	Council Assets	6000
Highways related spend	Highways	1000
SIDs maintenance	Highways	206
Unadopted Land	Miscellaneous	1000
Village Planters	Miscellaneous	600
General	Miscellaneous	500
Unallocated spend	Miscellaneous	0
Land reg of Parish Land	Miscellaneous	2000
Local Plan challenge	Planning	15000
Playing Fields Maintenance	Playing Fields	9270
Playing fields Equipment	Playing Fields	20000
Playing Fields ASB	Playing Fields	800
Grass Cutting Annual Maintenance	Playing Fields	12360
Play inspection reports	Playing Fields	1700
Queen Street Bin empty	Playing Fields	400
Queen Street Adhoc	Playing Fields	200
Grass cutting AM Queen Street	Playing Fields	2400
NBC and Contract Bin empties	Playing Fields	1500
Footpaths	Public Footpaths	1133
CCTV maintenance	Special Projects	2700
Xmas 2026 installation and purchase	Special Projects	10000