Georgeham Parish Council Reserves Policy **January 2026**

Policy Statement

Georgeham Parish Council is required to maintain sufficient financial reserves meet the needs of its operations and to ensure financial security. The Council's policy on the establishment, maintenance and adequacy of reserves and balances will be considered annually.

The Council will hold reserves for three main purposes:

1. A working balance to help cushion the impact of uneven cash flows and avoid

unnecessary temporary borrowing

2. A contingency to cushion the impact of unexpected events or emergencies

3. A means of building up funds, to meet known or predicted requirements

Scope

Types of reserve - Reserves may be categorised as Earmarked or General.

General Reserve

The use of this is not restricted. It can be used to level the impact of uneven cashflows, offset the budget requirement or used to manage unexpected events or emergencies.

The primary means of building the General Reserve is through an allocation in the annual budget.

The level of financial reserves held by the council will be agreed by the council during the discussions held regarding the setting of the budget for the next financial year.

Guidance states that 'a council should typically hold between 3- and 12-months expenditure as a general reserve' (Good Councillor's Guide on Finance & Transparency)

Earmarked Reserves

Earmarked reserves represent amounts which are earmarked for specific items of expenditure to meet known or anticipated liabilities or projects. They may be built up over a period of time.

There is no statutory upper limit save that they should be held for genuine and intended purposes.

The Council, when establishing an earmarked reserve, will set out:

1. The reason/purpose of the reserve.

2. How and when the reserve can be used.

3. Procedures for the management and control of the reserve including a process and timescale review of the reserve to ensure continuing relevance and adequacy.

Management and control

1. The level of reserves will be reviewed as part of the annual budget preparation.

2. Any decision to set up an Earmarked reserve must be made by the Council.

3. Expenditure from reserves is authorised by the Council as part of the authorisation of all payments.

4. The Responsible Financial Officer will maintain a detailed schedule of all reserves which will form part of the monthly financial summaries.

Reserves should not be used to fund ongoing expenditure. To the extent that Reserves are used to meet short term funding gaps, they should be replenished in the following year. However, Earmarked Reserves that have been used to meet a liability (or project) would not need to be replenished, having served the purpose for which they were originally established.

6. Where the purpose of an Earmarked Reserve becomes obsolete, or where there is an over-provision of funds, the excess may on the approval of the Council be transferred to other budget headings within the revenue budget or to General Reserves or to one or more Earmarked Reserve

Reviewed	**Adopted**
	January 2026

Joint Panel on Accountability and Governance (JPAG) 2024 edition of the

Practitioners' Guide.

Reserves:

5.31. As with any financial entity, it is essential that authorities have sufficient reserves (general and earmarked) to finance both their day-to-day operations and future plans.
5.32. Smaller authorities have no specific right to accumulate funds via the precept. All reserves should be reviewed and justified regularly (i.e. at least annually). It is good practice to transparently publish both the level and rationale of all reserves.
General reserves:
5.33. The general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances.
5.34. 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.
5.35. 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.
5.36. In all of this it is important that each authority adopt, as a general reserve policy, the level appropriate to their size, situation, risks and plan their budget so as to ensure that the adopted level is maintained. Consideration of the minimum level of reserves requires not only consideration of level of income and expenditure but also the risks to that income.
5.37. Authorities with significant self-generated income (other than the precept or levy) should take into account situations that may lead to a loss in revenue as well as increased costs and adapt their general reserve accordingly.
5.38. None of the above in any way affects the level of earmarked and/or capital receipts reserves that an authority may or should hold.
5.39. There is, in practice, no upper or lower limit to EMR/CRRs save only that they must be held for genuine and identifiable purposes and projects, and their level should be subject to regular review and justification (at least annually and at budget setting), and should be separately identified and enumerated. Significant levels of EMRs in particular may give rise to enquiries from internal and/or external auditors