



# Tutbury Parish Council

## General Reserves Policy (2025/26)

### 1. Introduction

Tutbury Parish Council is required to maintain adequate financial reserves to ensure the effective operation of its services and financial resilience.

This policy sets out how the Council will determine, maintain and review its reserves in accordance with proper practices.

The Council follows guidance contained within the **Practitioners' Guide (2025)** issued by the Smaller Authorities Proper Practices Panel (SAPPP), which applies to financial years commencing on or after 1 April 2025.

SAPPP guidance states that:

- Authorities must hold **sufficient reserves to meet day-to-day operations and future plans**, but
- Reserves should **not be excessive**, as they are funded through public taxation.

Under the Local Government Finance Act 1992, the Council must have regard to the level of reserves needed when setting its budget. There is no prescribed minimum level; this is determined locally based on risk.

### 2. Types of Reserves

Reserves are categorised as:

- **General Reserves** – unallocated funds
- **Earmarked Reserves (EMRs)** – funds set aside for specific purposes

### 3. General Reserves

#### 3.1 Purpose

General Reserves are held to:

- Manage cash flow
- Cushion the impact of unexpected expenditure
- Provide a contingency against financial risks

### 3.2 Level of Reserves

SAPPP guidance indicates that:

- General Reserves should typically be **between 3 and 12 months of Net Revenue Expenditure (NRE)**
- Smaller councils should hold nearer the upper end, larger councils nearer the lower end

### 3.3 Tutbury Parish Council Position

Tutbury Parish Council has adopted a **target level of General Reserves equivalent to six (6) months of Net Revenue Expenditure.**

This level has been determined as appropriate based on:

- The scale and complexity of Council services
- Asset ownership and associated liabilities
- Exposure to financial and operational risk
- The need to balance resilience with responsible use of public funds

This level sits comfortably within SAPPP guidance and represents a **prudent and proportionate approach.**

### 3.4 Maintaining the Reserve

General Reserves will be maintained through:

- Annual budget provision
- Transfer of year-end underspends
- Planned replenishment following any use

Where reserves fall below the target level, the Council will agree a strategy to restore them over a reasonable period through the budget-setting process.

## 4. Earmarked Reserves (EMRs)

### 4.1 Purpose

Earmarked Reserves are held for specific, identified purposes and must only be used for those purposes.

Typical EMRs include:

- Asset maintenance and replacement
- Committed or ongoing projects

- Developer contributions (e.g. S106 / CIL)
- Known or anticipated liabilities

#### **4.2 Principles**

- EMRs must be **clearly identified and justified**
- They must be **reviewed annually**
- They must not be retained without a clear purpose

Where an EMR is no longer required, funds may be reallocated by resolution of the Council.

#### **5. Use of Reserves**

- The use of General or Earmarked Reserves must be **approved by Full Council**
- EMRs must only be used for their intended purpose
- Where EMRs are temporarily used to support cash flow, they should be **replenished as appropriate**

#### **6. Review and Monitoring**

- The level of General Reserves will be **reviewed annually** as part of the budget-setting process
- The Responsible Financial Officer (RFO) will:
  - Advise on the adequacy of reserves
  - Highlight financial risks
  - Recommend appropriate reserve levels
- All reserve movements will be reported through:
  - Budget monitoring reports
  - Year-end accounting statements

#### **7. Policy Review**

This policy will be reviewed annually to ensure it remains consistent with:

- The latest SAPP Practitioners' Guide
- The Council's financial position and risks
- Audit expectations and best practice