



**GREAT
SANKEY**
PARISH
COUNCIL

Reserves Policy

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1. Introduction

Parish Councils are required to maintain adequate financial reserves to meet the needs of the council. The Local Government Finance Act 1992 requires all local authorities to consider the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

Whilst legislation does not specify the level of reserves that an authority should hold, the Joint Panel on Governance and Accountability (JPAG) Practitioners Guide (2024 edition) provides guidance to councils:

Section 5.31 states: "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."

This policy describes how Great Sankey Parish Council will determine and review the level of reserves.

2. General Reserve

General Reserves are funds which do not have any restrictions as to their use. This reserve can be used to ease an impact of uneven cash flows and may be drawn on in case of unanticipated events or emergencies, to cover unexpected inflation, or in unusual circumstances.

JPAG (March 2024 edition) section 5.34 advises that: '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. Any authority with income and expenditure in excess of £200,000 should plan towards 3 months equivalent general reserve.'

The current minimum level of the General Reserve held by Great Sankey Parish Council is approximately three months of predicted expenditure.

The primary means of building the General Reserve will be through reallocating underspent funds and allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves that have been used in the previous year.

Setting the level of the General Reserve is one of several related decisions in the preparation of the medium-term financial strategy and the annual budget. The Council must build and maintain adequate working balances to cover any key risks it faces, as expressed in its financial risk assessment.

In extreme circumstances, where the General Reserves are exhausted due to major unforeseen spending pressures within a particular financial year, the Council may draw down from its Earmarked Reserves to provide short term resources.

3. Earmarked Reserve

Earmarked reserves are monies set aside for defined projects or for significant known expenditure and may be built up over a period of several years to reduce the impact of significant expenditure in any one year. For example, such reserves can be allocated to pay for future rents, leases or election costs; to save for long-term projects such as the purchase of significant assets; to provide for the eventual replacement of large items of equipment such as play areas, vehicles & machinery.

JPAG (March 2024 edition) section 5.39 states that: 'There is, in practice, no upper or lower limit to Earmarked Reserves 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.'

Any decision to set up an additional reserve must be made by the Council following recommendation by the Finance Committee. Each committee of the council can request that funds are earmarked for specific projects during budget setting and on agreement by full council, earmarked reserves will be allocated to the committees' budget heading.

Each amount earmarked will be shown as a separate line in the forecast budget and the balances reported monthly Finance Committee.

The purpose and level of Earmarked Reserves will be reviewed annually during the budget setting process. Any unspent funds may be carried forward to the following financial year unless the purpose of the allocation has concluded or is no longer considered necessary.

In extreme cases, earmarked reserves can be drawn upon for short-term needs.

4. Management of Reserves

The level of financial reserves held by the Council, both General and Earmarked, will be agreed by the Parish Council during discussions held regarding the setting of the budget for the next financial year.

The Council may decide to invest any reserves and surplus funds which are not immediately required to meet expenditure and must do so subject to the Investment Policy.