



EARLS COLNE PARISH COUNCIL

RESERVES POLICY (2026)

1. Introduction

Earls Colne Parish Council is required to maintain adequate financial reserves to meet its operational and future needs.

This policy sets out how the Council determines and reviews the level of reserves in accordance with:

- Local Government Finance Act 1992
- Governance and Accountability for Local Councils: A Practitioner's Guide (England), 2026 Edition

2. Types of Reserves

Reserves fall into two categories:

- General Reserves
- Earmarked Reserves (EMRs)

3. General Reserves

General Reserves are unrestricted funds used to:

- Manage cash flow
- Respond to unexpected events
- Support financial stability

The generally accepted level of General Reserves is between three and twelve months of Net Revenue Expenditure (NRE).

In accordance with the 2026 Practitioner's Guide, authorities with annual income or expenditure in excess of £200,000 should plan towards the lower end of this range, typically around three months of NRE.



The Council will adopt a risk-based approach in determining the appropriate level of reserves, taking into account its financial risk assessment, income stability and future liabilities.

Where General Reserves fall below or exceed the recommended range, the Council will provide a clear explanation within its budget reports and Annual Governance and Accountability Return (AGAR).

The level of General Reserves will be reviewed annually during the budget setting process.

4. Earmarked Reserves

Earmarked Reserves are held for specific purposes, including:

- Asset replacement and maintenance
- Committed projects
- Insurance excesses
- Capital schemes
- Known or predicted liabilities

Earmarked Reserves:

- Must be approved by Full Council
- Must be held for a defined purpose
- Cannot be used for ongoing expenditure
- Must be reviewed annually

5. Use of Reserves

Reserves may be used to:

- Support one-off expenditure
- Smooth the impact of large costs
- Address short-term funding gaps



Where reserves are used for temporary funding, they should normally be replenished in the following financial year.

6. Risk-Based Reserves Calculation

The Council will determine the appropriate level of General Reserves using a risk-based approach.

This will include consideration of:

- The Council's financial risk assessment
- Level of annual precept and expenditure
- Cash flow requirements
- Level of earmarked reserves
- Asset maintenance and replacement risks
- Inflation and economic uncertainty

The RFO will present an annual assessment to Council alongside the budget, demonstrating:

- The recommended level of General Reserves
- Justification based on identified risks
- Comparison to prior years and NRE benchmarks

This approach ensures reserves are proportionate, justified, and aligned with the Council's risk profile.

7. Review and Governance

The Responsible Financial Officer (RFO) will:

- Advise the Council on appropriate reserve levels
- Monitor reserves throughout the year
- Report to Full Council



The level of all reserves will be approved annually during the budget-setting process.

8. Transparency

The Council will publish details of reserves, including levels and purpose, in line with transparency requirements.

This policy will be reviewed annually.

Signed: _____(Chairman)

Review Date: May 2027