

## Welsh Newton and Llanrothal Group Parish Council

### RESERVES POLICY

Adopted: 12 March 2026

<b>Status</b>	Adopted
<b>Adopted</b>	12 March 2026
<b>Adopted by</b>	Full Council
<b>Previous policy</b>	Adopted 20 May 2021; reviewed to May 2023
<b>Next review</b>	May 2027 (or earlier if reserves position changes materially)
<b>Responsible officer</b>	Clerk / Responsible Financial Officer

#### 1. Purpose

This policy sets out how Welsh Newton and Llanrothal Group Parish Council (the Council) manages its financial reserves. It explains the types of reserve held, the minimum level of the General Reserve, and how earmarked reserves are created, used, and reviewed.

The policy supports sound financial management and enables the Council to demonstrate to electors and its external auditor that public funds are being managed prudently.

#### 2. Legal and Regulatory Framework

The Council holds reserves under the general power to accumulate funds for future expenditure. The statutory framework includes:

- Local Government Act 1972
- Accounts and Audit Regulations 2015
- Governance and Accountability for Local Councils – A Practitioners’ Guide (proper practices)
- The Council’s Financial Regulations (adopted November 2025)

The Responsible Financial Officer (RFO) is responsible for advising the Council on the appropriate level of reserves and for maintaining accurate records of all reserve balances.

#### 3. Types of Reserve

##### 3.1 General Reserve

The General Reserve is the Council’s main undedicated balance. It provides a financial cushion against unexpected expenditure, income shortfalls, and timing differences between receipts and payments within a financial year.

The Council sets a minimum level for the General Reserve expressed as a percentage of Net Recurrent Expenditure (NRE). NRE is the Council’s net budget for the year, excluding any capital transfers and loan repayments.

**Minimum General Reserve:** 50% of NRE

**Minimum for 2026/27 (NRE £15,179.33):** £7,589.67

If the General Reserve falls below the minimum, the RFO shall report this to the Council at the next meeting, together with a recommendation for remedial action.

### 3.2 Earmarked Reserves

Earmarked reserves are amounts set aside by council resolution for a specific identified future purpose. They are ring-fenced and may only be used for the purpose for which they were designated, or reallocated by a further council resolution.

Earmarked reserves are distinct from budget provisions. A budget line represents a plan to spend within the current financial year; any unspent budget at year end returns to the General Reserve unless the Council resolves to transfer it to a named earmarked reserve.

The Council creates or closes an earmarked reserve only by resolution. The RFO shall maintain a separate record of each reserve balance, and earmarked reserves shall be shown separately in the Annual Governance and Accountability Return (AGAR).

### 4. Named Reserves

The following reserves are designated with effect from the date of adoption of this policy. All balances are designated fresh; historical fund balances held prior to the Clerk’s appointment are not verifiable and are not carried forward as named reserves.

Reserve	Purpose	Target / minimum
General Reserve	Undedicated working balance; financial resilience against unexpected expenditure and income shortfalls.	Minimum 50% NRE (£7,589.67 for 2026/27)
Neighbourhood Development Plan (NDP) Reserve	To fund preparation and adoption of a Neighbourhood Development Plan for the parish. Phase 1 (£3,500) and Phase 2 (£3,500) budgeted in 2026/27 and 2027/28 respectively. Actual cost may be higher.	Built by annual transfer of unspent NDP budget provision at year end, by resolution.
Elections Reserve	To fund the cost of parish council elections, which are administered and charged by Herefordshire Council. A formal designation will	To be confirmed autumn 2026. Estimated cost: £1,500–£2,500 for

	be made at the autumn 2026 budget meeting once a cost estimate has been obtained.	a contested election.
--	---	-----------------------

The following items were previously treated as named reserves but are discontinued as at the date of adoption of this policy. The associated costs are met from annual budget provisions:

- Notice Board Fund – maintenance costs (£50/year) included in 2026/27 revenue budget.
- Defibrillator Fund – maintenance and consumables (£412/year) included in 2026/27 revenue budget.

## 5. Current Reserves Position

The table below shows the Council’s total funds and the allocation as at the date of adoption of this policy.

Item	Amount
Total funds (12 March 2026)	£23,046.48
General Reserve minimum (50% NRE 2026/27)	£7,589.67
NDP Reserve (designated from adoption)	£0.00
Elections Reserve (to be designated autumn 2026)	£0.00
<b>Surplus above minimum General Reserve</b>	<b>£15,456.81</b>

The surplus above the minimum General Reserve is held in the Community Account and Commercial Instant Access Account pending decisions on the NDP and Elections reserves. No bond account is held; the bond was closed in July 2025 and the proceeds transferred to the Commercial Instant Access Account.

## 6. Annual Review

The RFO shall present a reserves report to the Council at the budget-setting meeting each autumn. The report shall:

- State the current balance of each reserve.
- Recalculate the General Reserve minimum based on the proposed NRE for the coming year.
- Recommend any transfers to or from earmarked reserves.
- Identify any reserve that is no longer required.

The Council shall review and formally approve the reserves position as part of the annual budget resolution. This policy shall be reviewed at least every two years, or earlier if the Council's financial position changes materially.

### 7. Amendment History

Date	Version	Notes
20 May 2021	v1.0	Original adoption.
May 2023	Review	Reviewed; no changes recorded.
12 March 2026	v2.0	Full revision. Named reserves redesignated from scratch. Bond account closure recorded. NDP and Elections reserves established. Notice Board Fund and Defibrillator Fund discontinued as named reserves.