

KILPECK PARISH COUNCIL

Reserves Policy

1. Introduction

It is essential that authorities have sufficient Reserves (General and Earmarked) to finance both its day-to-day operations and future plans. It is important, however, given that funds are generated from taxation, that such reserves are not excessive.

The need for adequate reserves is reinforced by the Local Government Finance Act 1992, which requires local authorities to have regards to the level of reserves needed for meeting estimated future expenditure when considering its budget requirement.

2. General Reserves

- The use of this reserve is not restricted, and will be used to meet unexpected expenditure, otherwise there is a chance that the Council could run out of money before the year end.
- A Council should typically hold between 3 and 12 months expenditure as a general reserve. If the general reserve is too low then it may not be enough to cover unexpected expenditure or emergencies, whilst if the general reserve is too high then local electors have paid a tax which is not being used for the benefit of the local community.
- The Council has no legal powers to hold revenue reserves other than for reasonable working capital or for specifically earmarked purposes, therefore the year-end general reserve should not be significantly higher than the annual precept.

3. Specific Reserves

- If deemed necessary the council will have 'specific reserves' for specific projects, where money is allocated for a specific purpose/project that due to the level of commitment needed will need a gradual allocation of funds over more than one year.
- Where grants/donations have been received for specific projects/ schemes.
- Where there is a legal requirement.

4. Level of General Reserves

The Council will maintain a General Reserve equivalent to between 3 and 12 months of net revenue expenditure, in line with sector guidance for parish councils.

Given the Council's relatively small precept and limited ability to absorb unforeseen expenditure, the Council has determined that its target level of General Reserve will be between 6 and 12 months of net revenue expenditure, with a preferred working target of 9–12 months where possible.

For 2026/27 the calculation is as follows:

Annual Precept	£21,000
Less: Loan Repayments	£0.00
Less: Capital Projects funded from Precept	£0.00
Less: Transfers to Earmarked Reserves	£0.00
Total Net Revenue Expenditure	£21,000

Equivalent Reserve Levels

- **3 months reserve** = £5,250
- **6 months reserve** = £10,500
- **12 months reserve** = £21,000

The Council will aim to maintain General Reserves within this range.

If reserves fall below 3 months, a recovery plan will be implemented through the budget process.

5. Process

- The council will carry out a review of its reserves
 - as part of the annual budget process.
 - at the year end particularly if general reserves is more than twice the precept.
 - at mid-year to get assurance that things are going to plan.
- Only the Council can set up a reserve.
- Movement on reserves will be monitored as part of the budget monitoring process.

Policy Adopted: 10/03/2026

Policy Review Date: March 2029