

# Little Birch Parish Council Reserves Policy 2026-27

## Background

Local authorities need to plan to hold a certain amount of funds in reserves for a variety of reasons. Often these will be earmarked for specific purposes to help the council save up each year towards the cost of capital projects, replacing equipment, in case of contested elections, etc. However, it is also good practice for a Council to hold general *revenue* reserves for reasonable working capital, although the level of a Council's Reserves should be considered carefully.

The generally accepted recommendation with regard to the appropriate minimum level of a Local Council's Reserve (as opposed to its Earmarked Reserves), is that this should be maintained at between three and twelve months Net Revenue Expenditure (NRE)

1. Net Revenue Expenditure (subject to any planned surplus or deficit) is effectively Precept less any Loan Repayment and/or amounts included in the Precept for Capital Projects and transfers to Earmarked Reserves.
2. The reason for the wide range (3 to 12 months) is to cater for the large variation in sizes of individual Councils. The smaller the Council, the closer the figure should be to 12 months Net Revenue Expenditure.

## Application to Little Birch Parish Council

As Little Birch Parish Council is a small Council with a small Precept, it should be aiming to maintain General Reserves closer to 12 months Net Revenue Expenditure.

## Little Birch Parish Council Reserves Policy

Little Birch Parish Council and the Responsible Financial Officer will work together to prepare and agree well-thought out, accurate, and detailed Budgets and Precept proposals which take into account, amongst other things:

- General running costs (including increases in National Pay Award for staff)
- Current and future activities (including the possibility of devolved services)
- Councillor and staff training and development
- Capital projects
- Replacing and repairing equipment and assets
- Contingencies

### **Level of financial reserves**

The level of financial reserves to be held by the Council will be agreed by the Parish Council during the discussions held regarding the setting of the budget for the next financial year.

The aim will be to hold a Reserve Fund of not less than 50% of the net revenue expenditure. Where this reserve is depleted the Council will consider the appropriate period of time over which to replace it to that level.

### **Following reserves are currently planned to be held by the Council as at 31 March 2026**

<b><u>Type of Reserve</u></b>	<b><u>Description / Use</u></b>	<b><u>Balance £</u></b>
Earmarked	Elections	£1000
Earmarked	Section 137 funds	£200
Earmarked	Defibrillator expenses	£500
General		£4220
<b>Total Reserves</b>		<b>£5920</b>

The above levels of reserves were agreed and this document adopted by the Parish Council at the meeting on the 6<sup>th</sup> May 2026 , to be reviewed again in a year's time.