SOUTH LUFFENHAM PARISH COUNCIL

Reserves Policy

Adopted by Council	
Minute reference	
Next review date	Annually, alongside budget setting and risk review
Policy owner	South Luffenham Parish Council

1. Introduction

South Luffenham Parish Council is required to maintain adequate financial reserves to meet the needs of the organisation and to support sound financial management.

This policy explains how the Council will determine, hold, review and use its reserves. It should be read alongside the Council's Financial Regulations, annual budget, risk assessment and asset register.

Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. There is no fixed statutory minimum level of reserves, but the Responsible Financial Officer must advise the Council on a prudent level of reserves, taking into account the Council's risks, obligations, assets and planned expenditure.

Sector guidance commonly suggests that smaller authorities should usually hold between 3 and 12 months of net revenue expenditure, or broadly between 25% and 100% of precept, depending on local circumstances.

2. Types of Reserves

The Council holds reserves for two main purposes:

General Reserves

Unallocated funds available to manage cash flow, unexpected expenditure, emergencies, shortfalls in income, or timing differences between payments and receipt of the precept.

Earmarked Reserves

Funds set aside by Council resolution for a specific purpose, project, asset replacement, known liability, or future risk.

3. General Reserves

The Council will aim to maintain general reserves equivalent to at least three months of budgeted net expenditure, while recognising that reserves of up to twelve months may be appropriate depending on local circumstances and risk.

For 2026/27:

Basis	Calculation	Amount
2026/27 Precept	25% of £20,500	£5,125
2026/27 Net Expenditure	3/12 of £23,495.71	£5,874
Upper guidance based on precept	100% of £20,500	£20,500
Upper guidance based on expenditure	12/12 of £23,495.71	£23,495

The Council will therefore aim to maintain a **minimum general reserve of £5,875** for 2026/27.

This level will be reviewed annually during budget planning and may be adjusted to reflect inflation, contractual costs, known risks, asset condition, or changes in the Council's responsibilities.

If general reserves fall below the target level, the Council will consider how they should be restored through the next budget cycle.

4. Earmarked Reserves

Earmarked reserves will be created for specific future liabilities, asset replacements, projects, or known risk areas. Earmarked reserves must not be used as a substitute for setting a realistic annual budget for recurring operational costs.

Based on the 2026/27 budget, known service areas and current risk profile, the following earmarked reserves are proposed:

Reserve Category	Suggested Reserve	Purpose / When Needed
Play Area Repairs and Replacement	£2,000	Safety repairs, surfacing, replacement equipment, or works arising from inspections
Pond Close / Open Space Works	£2,000	Maintenance, improvement or urgent works relating to Pond Close and village open spaces
Trees, Planting and Biodiversity	£1,500	Tree works, planting schemes, biodiversity duties, and small-scale habitat improvements
Defibrillator	£1,000	Battery, pads, cabinet maintenance, or future replacement
Street Lighting	£1,000	Unplanned repairs, replacement columns, electrical works, or upgrade costs
Village Furniture, Benches and Noticeboards	£1,000	Phased replacement or repair of ageing village assets
Elections, Legal and Professional Fees	£750	Election costs, professional advice, legal support, or specialist reports
Website, IT and Admin Equipment	£500	Website, laptop, software, digital records, or office equipment replacement
Cemetery Maintenance	£375	Cemetery repairs, maintenance, or minor improvements
Community Projects	£500	One-off community-led schemes approved by Council

Total proposed earmarked reserves: £10,625

5. Current Reserve Position and Target Level

For 2026/27, the Council's budget shows:

Item	Amount
2026/27 Precept	£20,500
2026/27 Net Expenditure	£23,495.71
Current Reserves	£23,495.19
Planned use of reserves in 2026/27	£2,995.71

The Council's current reserves are within the broad sector guidance range of approximately 3 to 12 months of expenditure. However, the Council does not consider it necessary to retain reserves at the upper end of that range.

For 2026/27, the Council's target reserve level is £16,500, comprising a minimum general reserve of £5,875 and earmarked reserves of £10,625.

This represents approximately:

Measure	Approximate Position
Percentage of 2026/27 net expenditure	70%
Percentage of 2026/27 precept	80%
Months of net expenditure covered	8.4 months

The Council considers this to be a prudent but proportionate level for a small parish council with responsibility for open spaces, play equipment, street lighting, trees, cemetery maintenance and other village assets.

Any reserves held above the target level will be reviewed annually and may be used to reduce pressure on future precept increases, fund agreed one-off projects, or address asset replacement needs.

6. Use of Reserves

The following principles apply:

- All decisions to create, amend or use earmarked reserves must be made by full Council and clearly minuted.
- Earmarked reserves should only be used for the purpose for which they were created, unless Council resolves otherwise.
- Earmarked reserves will not normally be used to fund recurring operational costs.
- If general reserves are drawn down for an emergency or unexpected shortfall, the Council will consider how to restore them during the next budget cycle.
- The RFO will maintain a reserves schedule showing the purpose, opening balance, movements and closing balance of each reserve.
- Any use of reserves must comply with the Council's Financial Regulations and proper practices.

7. Review and Reporting

This policy will be reviewed at least annually, normally as part of the budget-setting process.

The RFO will:

- advise the Council on the adequacy of reserves during budget setting;
- maintain a schedule of general and earmarked reserves;
- report any proposed additions to or withdrawals from earmarked reserves;
- present the reserve position to Council as part of year-end financial reporting;
- ensure reserve movements are properly recorded in the accounting records.

Appendix: Summary of Target Reserve Levels 2026/27

Reserve Name	Target Amount
General Reserve	£5,875
Play Area Repairs and Replacement	£2,000
Pond Close / Open Space Works	£2,000
Trees, Planting and Biodiversity	£1,500
Defibrillator	£1,000
Street Lighting	£1,000
Village Furniture, Benches and Noticeboards	£1,000
Elections, Legal and Professional Fees	£750
Website, IT and Admin Equipment	£500
Cemetery Maintenance	£375
Community Projects	£500
Total Earmarked Reserves	**£10,625**
Total Combined Target Reserves	**£16,500**