STILTON PARISH COUNCIL

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Reserves Policy

Introduction

Stilton Parish Council is required to maintain adequate financial reserves to meet the needs of the organisation. The purpose of this policy is to set out how the Council will determine and review the level of reserves.

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. The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure

Types of Reserves

Earmarked Reserves

- Renewals – to enable services, plan and finance an effective programme of vehicle, equipment and infrastructure replacement and planned property maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.

- Carry forward of underspend – some services commit expenditure to projects, but cannot spend the budget in year. Reserves are used as a mechanism to carry forward these resources.

- Insurance reserve – to enable the Council to meet the excesses of claims not covered by insurance.

- Other earmarked reserves may be set up from time to time to meet known or predicted liabilities.

General Reserves

General Reserves are funds, which do not have any restrictions as to their use. These reserves can be used to smooth the impact of uneven cash flows, offset the budget requirement if necessary or can be held in case of unexpected events or emergencies.

Earmarked Reserves

Earmarked reserves will be established on a 'needs' basis, in line with anticipated requirements. Any decision to set up a reserve must be made by the Council.

Expenditure from reserves can only be authorised by the Council. Reserves should not be held to fund on-going expenditure. This would be unsustainable, as, at some point, the reserves would be exhausted. To the extent that reserves are used to meet short tern funding gaps, they must be replenished in the following year. However, earmarked reserves that have been used to meet a specific liability would not need to be replenished, having served the purpose for which they were originally established.

All Earmarked Reserves are recorded on Scribe, maintained by the RFO, along with the purpose for which they are held.

Reviewing the Council's Financial Risk Assessment is part of the budgeting and year-end accounting procedure and identifies planned and unplanned expenditure items and thereby indicates an appropriate level of Reserves.

General Reserves

The level of General Reserves is a matter of judgment and so this policy does not attempt to prescribe a blanket level. The primary means of building general reserves will be through an allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves that have been consumed in the previous year.

Setting the level of General Reserves is one of several related decisions in the formulation of the medium term financial strategy and the annual budget. The Council must build and maintain sufficient working balances to cover the key risks it faces, as expressed in its financial risk assessment.

If in extreme circumstances General Reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Council would be able to draw down from its earmarked reserves to provide short-term resources.

Even at times when extreme pressure is put on the Council's finances the Council must keep a minimum balance sufficient to pay one month's salaries to staff in General Reserves at all times.

Current Level of General Reserves

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

The current level of general reserves to be held by the Council is five twelfths of the annual precepted figure, i.e. to fully cover five month's expenditure is suggested. For FY26-27 this amounts to £61,310.

A full list of General and Earmarked Reserves are circulated monthly to all councillors and the Reserves Report is available as a supporting document with monthly agendas on the Parish Council's website.

Policy Review

Reviewed: 12 May 2026 (agenda item PC108/26)
Next review date: May 2027