

March 2026

RESERVES POLICY

KIRTON & FALKENHAM PARISH

COUNCIL

1. INTRODUCTION

Kirton and Falkenham Parish Council is required to maintain adequate Financial Reserves to meet the needs of the Parish Council (PC). The purpose of this policy is to set out how the PC 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. However, there is no specific minimum level of reserves that an authority should hold, and it is the responsibility of the Responsible Financial Officer to advise the PC about the level of reserves to ensure that there are procedures for their establishment and use.

2. TYPES OF RESERVES

Reserves may be categorised as general or specific

3. GENERAL RESERVES

General reserves are funds which do not have any restrictions as to their use. These reserves cushion the impact of uneven cash flows, offset budget requirements, if necessary, or can be held in case of unexpected events or emergencies. Setting the level of general reserves is agreed with the annual budget

4. EARMARKED RESERVES

Earmarked reserves are held for several reasons and shall only be used for the purpose for which they were created

A. Renewals

To enable services to plan and finance an effective program of equipment replacement and planned property maintenance. these reserves are a mechanism to smooth expenditure so that a sensible replacement program can be achieved without the need to vary budgets.

B. Carry forward of underspend

Expenditure committed to a project but not spent in the budget year. reserves can be used as a mechanism to carry forward these resources.

C. Developers' Contributions

Proceeds from developers that can only be used for specified purposes.

D. Other Earmarked Reserves

These may be set up from time to time to meet known or predicted liabilities

Any decision to set up an earmarked reserve must be made by the PC and these are to be reviewed annually when the budget is agreed.

Where the purpose of an earmarked reserve becomes obsolete, or where there is an over-provision of funds, the excess may, on the approval of the PC, be transferred to other budget headings within the revenue budget or to general reserves or to one or more other earmarked reserves.

5. MANAGEMENT AND CONTROL OF RESERVES

Movements in earmarked reserves and general reserves shall be reported to the PC as part of the quarterly report and at monthly meetings if required. The use of reserves shall be approved by the PC. The level of general reserves shall be reviewed on an annual basis during the annual budgetary review and agreed by the PC. The minimum level of general reserves shall be recommended to the PC by the Responsible Financial Officer. This will form part of the recommendations for the annual budget and precept request by the PC. Earmarked reserves shall be reviewed on an individual basis. this review will also be undertaken as part of the annual budgetary review. Recommendations on creation, amendment, cessation, or continuation of earmarked reserves will be given by the Responsible Financial Officer to the PC by way of a report forming part of the recommendations for the annual budget and precept request by the PC. Approval for the creation, amendment, cessation, or continuation of earmarked reserves will be given by the PC.

6. CURRENT LEVEL OF FINANCIAL RESERVES & CONSIDERATIONS

The overall approach is to maintain General Reserves at a level of between 3 and 12 months turnover. Additionally, there is an ongoing expectation by the PC that excess underspend at end of each year can be added to the “Specialist Fees” Reserve. This is in the expectation that, in the event of legal action regarding contested planning proposals (eg the use of land at Innocence Farm for logistics purposes), costs can quickly exhaust available funds.

RESERVES	
(uncommitted)	
01/04/2026	£50,872
ADD	
VAT Refund	£2,000
	£52,872
LESS	
Grants	£3,300
SID (received grant)	£2,500
Specialist Fees	£18,150
Maintenance	£3,775
Contingency	£0
	£25,147
Recommended 3 to 12 months of turnover, which is between	
£7,045 & £28,181	

The budget for 26/27 allows for a further £2,400 to be allocated to The Specialist (Professional) fees reserve, and £1,275 to the Maintenance Reserve. The grant of £2,500 for a SID was awarded in 25/26 but will be spent in 26/27.

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