Ewyas Harold Group Parish Council

Reserves Policy

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[1]

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, the larger the Council, the nearer to 3 months. In practice, a Council with an NRE in excess of £200,000 should plan on 3 – 6 months equivalent General Reserve.[2]

Application to Ewyas Harold Group Parish Council

As Ewyas Harold Group 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.

Ewyas Harold Group Parish Council Reserves Policy

Ewyas Harold Group 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:[3]

- 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

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[1]As per guidance from NALC's Audit and Accounts Advisor Derek Kemp.
[2]As above.
[3]As above.

- 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.

Reserve Funds held:

The Election Fund.
To be built up between election years until enough reserves are in place to cover one by-election for each parish. At present this figure needs to be £9100.00. Capped at £10,000

The MUGA Maintenance Fund.
To be increased to a maximum of £10,000 to allow for on-going MUGA maintenance.

The Pavilion Maintenance Fund.
To be capped at £10,000 to allow the maintenance works to proceed when needed.

The Play Area Maintenance Fund.
To be capped at £10,000 to allow maintenance and replacement works to proceed when needed.

The Kemble Centre Legal Costs Fund.
To be held at £30,000 to allow for the future of the Kemble Centre to be determined and any works formally completed.

The General Reserves Fund
To be kept as close to one year's worth of precept as possible. Currently this is £53,829.00

The above levels of reserves were agreed and this document adopted by the Parish Council at the meeting on the 8th April 2025 and reviewed alongside the budget in November 2025.