

West Meon Parish Council

Budget 2026/27 and Reserves Review

Explanatory Note for Councillors

Please find attached the draft Budget for 2026/27 and proposed Reserves. Together with the current Reserves Summary. This document is intended to explain the structure of the report and the principles behind the proposed allocations, so that members can consider the figures clearly and raise any questions in advance of the meeting.

1. Structure of the Budget

The budget is divided into three main sections:

A. Running Costs (Operational Expenditure)

These are the recurring annual costs required to keep the Council functioning; it excludes one off costs. Recurring annual costs include: -

- Clerk salary and associated costs
- Insurance
- Grounds maintenance
- Administration (hall hire, website, subscriptions, audit, insurance etc.)
- Routine maintenance
- Routine grants

Total annual recurring running costs: **£40,695**. These are the costs used to assess the appropriate level of General Reserve.

B. Capital Projects / Village Improvements

One-off or improvement works, not recurring annual costs. For 2026/27 these include:

- Car Park refurbishment – £20,000 (funded from Car Park Reserve)
- Woodland signs – £600
- Biodiversity improvements – £2,000

These works improve parish assets and are funded either from earmarked reserves or from general funds.

C. Transfers to Reserves

These are not expenditure. They are amounts set aside for future liabilities or asset replacement and are there to build financial resilience and avoid large spikes in future precepts.

D. Income

The Council generates limited income and therefore remains largely reliant on the annual precept to fund its activities. Current reserve levels are sufficient to support planned expenditure at present; however, monitoring will be required to ensure reserves are not reduced to an unsustainable level in future years.

2. Reserves Position

A. Earmarked Reserves

Funds set aside for specific purposes. In 2025/26 they include: -

- Car Park
- Flood Defence
- Tree Liability

These reserves are restricted for their intended purpose.

B. General Reserve

This is the Council's unallocated working balance.

Best practice guidance suggests that General Reserve should be between **3 and 6 months of running costs**.

With running costs of £40,395 per year:

- 3 months = £10,000
- 6 months = £20,000

Members will note that the current General Reserve is below this range. The proposed review of earmarked reserves is intended to ensure the balance between earmarked and general reserves remains proportionate and financially resilient.

C. Capital Reserve

Funds set aside to fund capital expenditure, such as spending on the acquisition, improvement or replacement of long-term assets, such as a new playground.

3. Car Park Reserve Review

The Car Park Reserve currently stands at £60,000. The budget proposes works this year total £20,000 (ex-VAT) and will be funded from this reserve.

Members to consider:

- The transfer of the balance, £40,000.00 be returned to General Reserves, to be reallocated between earmarked reserves.

4. Tree Liability Reserve Review

The tree liability reserve currently stands at £4219.80. The budget includes £6,000 for ash dieback works and includes provision for a tree survey.

Members to consider:

- Transfer from General Reserves to Tree Liability Reserve £5178.00, to cover the planned works in the budget and leaving earmarked reserves for future work of £4,000.00

- With the Holm Oak and future work on trees around the recreation ground a rolling provision is proposed to ensure ongoing tree management can be funded without sudden increases in precept or taking from the General Reserve.

5. Legal Reserves (new)

Legal work has been resolved to progress legal services to assist with the Village Hall lease and the budget proposes legal fees this year of £1500.00.

Members to consider: -

- Establish a new Legal Earmarked reserve.
- Transfer £3000.00 from the General Reserve to fund this, for planned works in 2026 and future works. Future works include leases for the Sports Club, Rifle Club, plus land registry of the Recreation Ground.
- Review the reserve annually as part of the budget setting process.

6. Monument Preservation

The brick and flint wall surrounding The Cross has sustained damage and may require remedial works in the future. Although the wall itself is not separately listed by Historic England, it forms part of the setting of a Grade II listed monument. Repairs to historic brick and flint structures can be specialist and therefore potentially costly.

At present, no immediate works are programmed. However, given the location of the structure (Church Road is narrow), it would be prudent for the Council to begin building a reserve to fund future repairs should they become necessary.

Members to consider:

- Establish a new Monument Restoration Earmarked reserve
- Transfer £5,000.00 from the General Reserve to fund this.
- Review the reserve annually as part of the budget setting process.

7. Traffic & Road Safety

There has been ongoing concern regarding vehicle speeds on the A32 when entering and exiting the village and including the direction towards East Meon. Discussion have taken place regarding potential traffic calming measures, including the possible introduction of SAM (Speed Awareness Message) signs.

At this stage no formal scheme has been agreed. However, should the Council wish to proceed with feasibility work or installation of speed awareness equipment, provision would need to be made within reserves.

Members to consider:

1. Establish a new Traffic & Road Safety Earmarked Reserve.
2. Transfer £10,000 from the General Reserve to this fund.
3. Use the reserve to fund up to three SAM speed signs and associated installation costs, subject to future Council approval.
4. Review the reserve annually as part of the budget setting process.

8. Flood Defence Reserve

Earlier this year, the Parish Council was advised that it does not have the statutory powers to directly deliver or fund the proposed flood defence works. More recently, discussions have taken place regarding potential external grant funding opportunities which may support flood-related projects in the future.

Given this position, the existing Flood Defence Earmarked Reserve is no longer required for its originally intended purpose.

1. Dissolve the Flood Defence Earmarked Reserve.
2. Transfer the full remaining balance of £23019.37 to the General Reserve.
3. Review future involvement in flood-related matters, at which point a new earmarked reserve could be established if appropriate.

9. Overall Financial Position

The Council remains in a strong overall financial position, with healthy earmarked reserves aligned to identified risks and planned works.

The purpose of this review is to ensure:

- Reserves are proportionate
- General Reserve is adequate
- Capital reserves are not excessive
- Financial planning remains transparent and sustainable

10. Budget and Reserves Review

The Council reviews its budget position on a quarterly basis. Earmarked reserves may be reviewed and reallocated at any time during the financial year, subject to formal Council resolution.

Reserves are established for specific purposes and are reviewed to ensure they remain aligned with current priorities, statutory powers and financial risk.

For example, the South Downs National Park Local Plan has now been completed. Should the Council wish to pursue a Neighbourhood Plan once the implications of the Local Plan are fully understood, it may be appropriate to review the current distribution of reserves and consider establishing a dedicated Neighbourhood Plan reserve.