

Template document from SLCC (Society of local Council Clerks, with reference to my audit regulations (JPAG) to check statutory requirements.

Nash Mills Parish Council

Reserves Policy

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| Adopted | 9/10/2019 |
| Review Date | May /June2020 |
| Agenda Reference | 19/144/ix |

Reserves Policy

Introduction

Nash Mills Parish Council ('The Council') is required by statute 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.

Reserves must be set with reference to the JPAG (Governance and Accountability for Smaller Authorities in England, Practitioners Guide).

It is the responsibility of the Responsible Financial Officer to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use.

Types of Reserves

Reserves can be categorised as general or earmarked.

Earmarked Reserves

These reserves are generally represented as amounts that are built up over a period of time which are then 'earmarked' for specific items of expenditure to meet known or anticipated liabilities.

Earmarked Reserves can be held for several reasons:

- Renewals – to enable services to plan and finance an effective programme of 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.
- 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

The generally accepted recommendation is that the minimum level of General Reserve should be set at between three (3) and twelve (12) months Net Revenue expenditure (NRE).

The smaller the authority the closer the level should be to 12 months NRE.

These 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.

Protocol for the Administration of Reserves

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.
- There is no statutory upper limit save that they must be held for genuine and intended purposes.
- 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 term 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 a central schedule held by the Responsible Financial Officer which lists the various Earmarked Reserves and the purpose for which they are held.
- Reviewing the Council’s Financial Risk Assessment is part of the budgeting and year end accounting procedures and identifies planned and unplanned expenditure items and thereby indicates an appropriate level of Reserves.
- Upon annual reviews sums can be moved between earmarked reserve headings, by council resolution, should the need arise or should priorities change.

General Reserves

- The level of General Reserves is a matter of judgement 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.
- General Reserves will be set with reference to the JPAG (Governance and Accountability for Smaller Authorities in England, Practitioners Guide)
- 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 financial reserves

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

- The current level of general and Earmarked Reserves to be held by the Council as at October 2019

| Draft - Reserves Earmarking | | | | | | | |
|-----------------------------|---|----------|-------------------------|------------------------------|--------------|------------|---|
| 2019-2021 | | | | | | | |
| DEBTORS | | | Reserves | | Workings Out | | |
| Election Costs | £ | 2,500.00 | Est. awaiting true cost | Working Capital to end of yr | £ | 24,000.00 | Average £4000 per month x 6 |
| | | | | Business contingency | £ | 17,000.00 | Clerk or Warden Cover (6mths) , Replacement Laptop, Replacement Printer |
| | | | | Tree surveys/maintenance | £ | 5,500.00 | Trees in park will be costly for surveys and trimming- ball park figure to be used. |
| | | | | Items from 'wanted list' | £ | 1,000.00 | £1000 grant in bank. |
| | | | | Election costs for 2023 | £ | 3,000.00 | |
| | | | | Election costs for 2027 | £ | 3,000.00 | |
| | | | | | | | |
| | | | | Community Support | £ | 10,000.00 | Grants £1000 per annum for 5 yrs plus VE Day 75 grants an additional grants contingency |
| | | | | Village Hall Support | £ | 20,000.00 | potential grant request |
| | | | | | | | |
| | | | | Community Projects | £ | 20,000.00 | Remainder of verges ?? / playpark works ??/installation and additional costs of noticeboard |
| | | | | Community Events | | £1,000.00 | Small reserve to cover additional insurances/licenses etc |
| | | | | Earmarked projects | | £10,000.00 | Defib/phonebox/installation etc |
| | | | | | | | |
| | | | | Grants awarded to NMPC | | | Grants awarded_conditional spends but still in NMPC balance figure |
| | | | | CIL | £ | 9,501.28 | Infrastructure only see CIL notes, potentially could be used for verges ? |
| | | | | Groundworks Grant | £ | 1,000.00 | New Noticeboard |
| | | | | | | | |
| | | | | | £ | 125,001.28 | |
| | | | | | | | |
| | | | | | £ | 145,000.00 | On account approx |
| | | | | | -£ | 125,001.28 | Earmarked |
| | | | | | £ | 19,998.72 | Remaining should be no more than 1 years precept in general reserves -ideally only 6 mths |
| | | | | | | | |
| | | | | | £ | 19,998.72 | will remain on general reserves and can be vired across to supplement exp if needed. |
| | | | | | | | |

This draft summary (above) was adopted in line with the budget in the October Full Council meeting and will be reviewed in the first quarter following financial year end when a more accurate reconciliation of expenditure and grant/precept awards will be known for the new financial year (2020/2021).

This policy was adopted by Nash Mills Parish Council