Great Denham Parish Council – Reserves Policy 2022/23

Introduction
Great Denham 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. However, there is no specified minimum level of reserves that an authority should hold and 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.

<u>Earmarked reserves</u> can be held for several reasons:

- Renewals – to enable services to 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.

- CIL monies will be held as earmarked reserves; any expenditure against these monies will be made in line with NALC briefing “A guide to the Community Infrastructure Levy (CIL) for Parish and Town Councils” 2019.

<u>General Reserves</u> 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 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.

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.

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 will be 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 reserves to be held by the Council is three twelfths of the annual precepted figure, i.e., to fully cover three months' expenditure. The figure of three twelfths of the precept is to be held rather than three months' expenditure costs is suggested. This figure is £12,000 for the total precept of £48,000 in the financial year 2022/23. Additionally, any underspend from previous years will be retained as general reserves unless it has been intended for a nominated Council project, in which case it will be retained as Earmarked Reserves.

The Council agreed to the following levels of reserves as outlined in Appendix 1 – Reserves for 2022/23 (as at 01/04/2022).

Restricted reserves (Earmarked and CIL)	£132,150.36
Unrestricted reserves (General)	£79,961.57
TOTAL	**£212,111.93**

The above levels of reserves were agreed and this document adopted by the Parish Council at the meeting on the 4th April 2022, to be reviewed again in January 2022 when setting the budget for the financial year 2023/24.

Date 4th April 2022

APPENDIX 1 – EXPECTED RESERVES FOR 2022/23 (as at 1st April 2022)

General Reserves (unrestricted)

3 months precept (22/23 precept) (from end April 2021)	£12,000.00
*Underspend from 2020/21	£36,945.12
*Underspend from previous years not allocated to projects	£31,016.45
TOTAL	**£79,961.57**

* Available to be allocated to new projects

Earmarked reserves

Project	**Remaining earmarked reserves at 31 March 2021**	**22/23 Budget allocation**	**Total Earmarked reserves**
*Unallocated (projects funded from CIL)	£4,000	£0	£4,000
Traffic and Road Safety (inc double yellow lines, signage and pedestrian crossing)	£30,025	£0	£30,025
CCTV – upgrade of cameras/changes	£4768	£0	£4768
Election costs (held for future elections)	£1,960.29	£0	£1960.29
Defibrillator supplies	£1157	£200	£1357
GDCH maintenance/landlord responsibilities – includes annual contracts	£5392.50	£3,600	£8992.50
Great Portway playground refresh	£9887.50	£0	£9887.50
King Alfred Way Entry feature	£4450	£0	£4450
Legal costs for GDCH lease	£300	£0	£300
Christmas Lights (replacement lights for tree plus installation costs)	£3579.74	£2,500	£6079.74
Neighbourhood Dev Plan (costs not covered by Locality Grant	£2,000	£0	£2,000
TOTAL	**£67,520.03**	**£6,300**	**£73,820.03**

CIL monies £58,330.33

TOTAL **£212,111.93**