Great Denham
Parish Council

Great Denham Parish Council – Reserves Policy 2023/24

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.

Required 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 £10,651.75 for the total precept of £42,607 in the financial year 2023/24.

The Council agreed to the following levels of reserves as outlined in Appendix 1 – Reserves for 2023/24 (as at 01/04/2023). Additionally, any underspend from previous years will be used as general reserves unless directed to a nominated Council project, in which case it will be retained as Earmarked Reserves.

Restricted reserves (Earmarked and CIL)	£193,907.26
Unrestricted reserves (General)	£10,651.75
TOTAL	**£204,559.01**

The above levels of reserves were agreed and this document adopted by the Parish Council at the meeting on the 3rd April 2023, to be reviewed again in January 2024 when setting the budget for the financial year 2024/25.

Date 3rd April 2023

APPENDIX 1 – EXPECTED RESERVES FOR 2024/25 (as at 1st April 2023)

General Reserves (unrestricted)

3 months precept (23/24 precept) (from end April 2023)	£10,651.75
TOTAL	**£10,651.752**

* Available to be allocated to new projects

Earmarked reserves

Project	**2022/23 remaining funds**	**2023/24 budget provision**	**Total earmarked funds**	**Recommended funding level for 2023/24**	**Comments**
Existing projects					
Christmas Lights	4758.10	2500	8579.74	3000	Bedford Borough Council for installation, removal and storage, plus any required repairs.
Pedestrian Crossing – Anglia Way	0	0	0	40,000	To be paid from CIL money
Great Denham Community Hall – Landlord responsibilities	7271.97	3600	10871.97	10871.97	Annual Boiler and Heating service and maintenance, plus contingency for repair
Great Denham Youth Club	6750	6250	13000	13000	Commitment to 3-year contract
Entrance feature, King Alfred Way	4450	0	4450	4450	To be paid from CIL money
Traffic/Parking measures	30025	0	30025	30025	Double yellow TROs, 20mph zoning costs
Election costs	1960.29	0	1960.29	1960.29	Where election is contested
CCTV costs	4768	4472.50	9240.50	9000.00	Costs for CCTV monitoring service, plus annual maintenance and any repair/replacement
Defibrillator maintenance	1062	200	1262	1500	Batteries and pads for 3 defibrillators
New Projects					
Pedestrian Crossing – Greenkeepers Road	0	0	0	40,000	Feasibility study £4,000; total cost based on estimate for Anglia Way Crossing
Great Denham History Memorial	0	0	0	8,000	Years 3 and 4 project to mark GD archaeology.
Upgrade to paths in Country Park	0	0	0	30,000	Contribution to costs in association with BBC
Provision of 2 additional benches in Country Park	0	0	0	2100	Includes purchase of benches and installation.
CIL funds available				**58330.33**	
Balance required to be earmarked as reserves				**135,576.93**	
Total funding required				**193,907.26**	