

Terrington St John Parish Council Reserves Policy

Introduction

Terrington St John Parish Council (TSJP) is required to maintain adequate financial reserves to meet the needs of the Parish Council. The purpose of this policy is to set out how the Parish 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 Parish 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.

General Reserves

General Reserves 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 can be held for several reasons and shall only be used for the purpose for which they were created.

- Renewals – to enable services to plan and finance an effective programme of equipment 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.
- Other earmarked reserves may be set up from time to time to meet known or predicted liabilities. 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 Parish 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 on the accounting package used and 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 three 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 £12,500 for the total precept of possibly £50,000 in the financial year 2023/24. The Council agreed to the following levels of reserves:

Three twelfths	£12,500.00
Laptop replacement	£1,000.00
Election Expenses	£1,000.00
CCTV	£2,000.00
Gateway	£1,000.00
Legal fees	£6,800.00
Training	£2,500.00

School Road traffic control	£3,500.00
Village sign	£6,467.00
Ely Row dyke	£5,000.00
Total	£41,767.00

The above levels of reserves were agreed, and this document adopted by the Parish Council at the meeting on the 4th January 2023, to be reviewed again at the time when setting the budget for the financial year 2024/25, usually early January.

Banking arrangements and protecting the Parish Council’s funds

The main protection is from the Financial Services Compensation Scheme (FSCS). It was set up to cover people's savings in the event that a bank were to go bust. The FSCS protects 100% of the first £85,000 saved, per financial institution (not per account). A second bank account should be held when it is anticipated that the Parish Council funds will go beyond.

Chairman...A Bishop... Date...4/1/2023..... Minute number...9h.