

Tur Langton Parish Council

Reserves Policy

1. Purpose

Tur Langton Parish Council is required to maintain adequate Financial Reserves to meet the needs of the Parish Council. 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.

Local Councils have no legal powers to hold revenue reserves other than for reasonable working capital or for specifically earmarked purposes. It follows that the year-end General Reserve should not be significantly higher than the annual precept. If the amount of reserves at the year-end are above a certain level in relation to the annual precept the council must give an explanation of the reserves held to the Auditor.

There is no specified minimum level of reserves that an authority should hold and it is the responsibility of the Responsible Financial Officer (RFO) to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use.

The purpose of this policy is to set out how the Council determines and reviews the level of reserves.

See Appendix 1 for the reserves for the current year.

2. Types of reserve

The council holds three types of reserves categorised as:

- General Reserves (held to cushion the impact of uneven cashflow or unexpected events),
- Earmarked (held for specific purposes) and
- Ringfenced (held for one purpose only and cannot be transferred, for example grants or donations allocated for a specific project only)

The RFO will keep a schedule of reserves held at the year-end on the budget spreadsheet.

3. General Reserves

General Reserves do not have any restrictions as to their use. These reserves can be used to smooth the impact of uneven cash flows, offset budget requirements if necessary or can be held in case of unexpected events or emergencies.

The primary means of building the General Reserve is through an allocation in the annual budget.

Approval of the full council is required to move funds from the General Reserve.

The level of financial reserves held by the council will be agreed by the council during the discussions held regarding the setting of the budget for the next financial year.

~~Guidance states that 'a council should typically hold between 3- and 12-months expenditure as a general reserve' (Good Councillor's Guide on Finance & Transparency 2017). The Leicestershire and Rutland Association of Local Councils has advised (verbally) that a council the size of Tur Langton Parish Council should aim to hold 75% (9 months) of gross predicted spend as a General Reserve.~~

~~The Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide advises that the generally accepted recommendation with regard to the appropriate minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three and twelve months Net Revenue Expenditure (where Net Revenue Expenditure (subject to any planned surplus or deficit) is effectively Precept less any Loan Repayment and/or amounts included in the Precept for Capital Projects and transfers to Earmarked Reserves). The Leicestershire and Rutland Association of Local Councils has advised (verbally) that a council the size of East Langton Parish Council should aim to hold 75% (9 months) of Net Revenue Expenditure as a General Reserve.~~

4. Earmarked Reserves

Earmarked Reserves will be established on a "needs" basis in line with anticipated requirements to meet known or predicted liabilities.

Earmarked Reserves must be reviewed and / or established by the council at the annual budget setting meeting.

Expenditure from earmarked reserves can only be authorised by the full council at a Parish Council meeting.

Reserves should not be held to fund ongoing expenditure. This would be unsustainable, as at some point the reserves would be exhausted. If 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.

The council may hold Earmarked Reserves in the following categories:

- Carry forward of underspend, where some expenditure is budgeted for projects but not spent in that financial year. Reserves are used as a mechanism to carry forward these resources.
- Reserves built up over a time period, for example, to pay for an election. The setting aside of funds over a period of time to meet known future expenditure reduces the impact of meeting the full expenditure in one year.

5. Ringfenced Reserves

These are funds that cannot be used for any other purpose for example donations, grants or loans for a specific purpose

6. Review of this policy

This policy will be reviewed annually at the budget setting meeting and may be subject to review during the financial year in any review of the budget.

~~This policy was adopted by the council at the meeting on 14.1.20~~

This policy was reviewed and adopted at the meeting on XXXXX

Appendix 1

Appendix 1 - Reserves in budget for 2020/2021

The budget has been revised following the end of the financial year 19/20 to reflect the actual balances carried over. (Revised budget for review at meeting May 2020)

General Reserve

~~Gross predicted spend for the year is £9,899.74. 75% of this is £7,425. The budget for 20/21 gives a General Reserve of £3,241. The council is aware that there is a shortfall and will work towards increasing the General Reserves in future budgets.~~

The precept for 20/21 is set at £9,198. Deducting the amounts included in the precept for transfer to Earmarked Reserves (Election £285 and Village Signs £270) and the loan repayment of £3,343.74 gives Net Revenue Expenditure of £5,299.26. 75% of this is £3974.45. The budget for 20/21 gives a General Reserve of £3,241. The council is aware that there is a shortfall and will work towards increasing the General Reserves in future budgets.

Earmarked Reserves

The **revised** budget gives the following estimated Earmarked Reserves:

Village Hall	£90 £3,776	This is the predicted balance from the previously built up reserve once the first half year loan repayment and Merton College expenses have been paid. Future loan repayments are catered for in 20/21 budget, however the first repayment will become due prior to the 20/21 precept being paid. If this estimate is confirmed at the end of the 19/20 budget it can be used towards the Village Hall renovation policy This is broken down as follows: <ul style="list-style-type: none">• £3,500 carried over from 19/20 payment to JED Design Ltd (a requirement of the landlord, Merton College)• £186 towards the front door (additional to grant funding)• £90 surplus which can be put towards the renovation project if necessary
IT equipment and domain	£200	Held to pay for new equipment when necessary. To be added to through future precepts
Election	£163	This is the remaining balance from the reserve built up for the previous election. Aiming to build up a reserve of £1,300 for next election. £285 budgeted each year to build up this reserve
Repairs and Maintenance	£60	Held for unexpected repairs of street furniture. Budget includes category for ongoing maintenance.

Appendix 1

Village Signs	£163.00	Building up reserve by precepting each year to add to this reserve
Total	£4,362	

Ringfenced Reserve

Memorial Garden - Tur Langton Parish Council received a donation of £478.16 towards a Memorial Garden at the Village Hall. This is held as a Ringfenced Reserve to be used once the renovation of the Village Hall has been completed.

Village Hall Loan – Tur Langton Parish Council took out a loan from the Public Works Loan Board. At 31/3/20 £2,983 was not spent and so forms part of the reserves carried over.