

# NORTH CREAKE PARISH COUNCIL

## Financial Reserves Policy

### 1. Introduction

North Creake Parish Council is required to maintain adequate Financial Reserves to meet the needs of its operations and to ensure financial security. The purpose of this policy is to set out how the Council will determine and review the level of reserves.

The Joint Panel on Accountability and Governance Practitioners Guide (JPAG) (March 2020 edition) advises:

*“As with any financial entity, it is essential that authorities have sufficient reserves (General and Earmarked) to finance both its day-to-day operations and future plans. It is important, however, given that its funds are generated from taxation/public levies, that such reserves are not excessive.”*

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 specific minimum level of reserves which 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.

### 2. Types of Reserves

These may be categorised as either General or Specific (Ear Marked).

#### 2.1 General Reserves

General Reserves are funds which do not have any restrictions on their use. They cushion the impact of uneven cash flows, offset budget requirements, if necessary, or can be held in case of unexpected events or emergencies. Setting the level of General Reserves is agreed with the Annual Budget.

JPAG (March 2020 edition) advises:

*“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 (3) and twelve (12) months Net Revenue Expenditure (NRE).”*

*“The smaller the authority, the closer the figure should be to 12 months NRE, the larger the authority the nearer to 3 months. In practice, any authority with an NRE in excess of £200,000 should plan on 3 months equivalent.”*

The primary means of building General Reserves will be through a reallocation of funds (underspend on a completed projects) and allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves which have been spent in the previous year. If in extreme circumstances General Reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Parish Council would be able to draw down from its EMRs to provide short term resources.

#### 2.2 Earmarked Reserves ‘EMR’s

EMRs must be held for genuine and intended purposes and their level should be subject to annual review and justification. They should be separately identified to prevent query from internal and external auditors.

EMRs are held for several reasons and shall only be used for the purpose for which they were created:

- Renewals – to enable the planning and financing of an effective program of equipment replacement and property maintenance/refurbishment. The funds required are built up incrementally over several years when taking into account asset conditions and asset life. They are a mechanism to smooth expenditure without the need to vary budgets.
- Carry forward of underspend on an uncompleted project – expenditure committed to a project but not spent in the budget year. Reserves can be used as a mechanism to carry forward those resources.

- Developers Contributions – proceeds from developers which can only be used for specified purposes.
- Other Earmarked Reserves – these may be set up from time to time to meet known or predicted liabilities.

Where the purpose of an Earmarked Reserve becomes obsolete, or where there is an over-provision of funds, the excess may, on the approval of the Parish Council, be transferred to other budget headings within the revenue budget, to General Reserves or to one or more other Earmarked Reserves.

EMRs will be established on a “needs” basis in line with anticipated requirements and these are to be reviewed annually when the budget is agreed.

Any decision to set up an EMR must be approved by Parish Council. If the EMRs are used to meet short term funding gaps, they must be replenished in the following financial year. However, EMRs which have been used to meet a specific liability would not need to be replenished, after having served the purpose for which they were originally set up.

### **3. Management and Control of Reserves**

Movements in Earmarked Reserves and General Reserves shall be reported to the Parish Council as part of the Budget to Actual Report and at monthly meetings if required. The use of Reserves shall be approved by the Parish Council.

The level of General Reserves shall be reviewed on an annual basis during the annual budgetary review and agreed by the Parish Council. The minimum level of General Reserves shall be recommended to the Parish Council by the Responsible Financial Officer. This will form part of the recommendations for the Annual Budget and Precept request by the Parish Council.

Earmarked Reserves shall be reviewed on an individual basis. This review will also be undertaken as part of the Annual Budgetary Review. Approval for the creation, amendment, cessation or continuation of Earmarked Reserves will be given by the Parish Council.

**The Council’s specific requirements are detailed in appendix 1**

**The General Reserves Policy was adopted by the Council at its meeting held on 12<sup>th</sup> January 2023.**

**To be reviewed January 2024.**

## Working Balance

The Council has considered the need for a working balance for 2023/24:

	Use	Budget
Cash Flow	To enable the payment of invoices prior to the receipt of the precept payment	£1,000
VAT payments	The payment of VAT prior to reclaim	£1,000
<b>Total</b>		<b>£2,000</b>

## Earmarked Reserves

The Council has considered the need for a contingency for 2023/24:

	Use	Budget
BT Phone Box	To cover maintenance costs and supply/installation of a defibrillator	£2,598
Christmas Tree Event	To cover the costs of Christmas Tree/Christmas Lighting and other items	£2,308.81
Clock Fund	To cover the cost of serving and necessary repairs/refurbishment.	£3865.00
Election	The potential cost of a by-election	£2,5000
Land at Shammer	To assist with ongoing maintenance costs	£1,000
Passing Place	To assist with any associated costs.	£1,000
Play Area	To cover potential costs to repair or replace equipment so that they are compliant with the relevant legislation.	£5,773.19
Playing Field	To cover costs of repairs/maintenance of Pavilion/Toilet Block.	£2,425.00
Street Lighting	To assist with maintenance/improvement/energy costs	£9,122.09
Training	To assist with costs towards the Clerk and Councillor training.	£1,000.00
Village Events	To assist towards costs relating to events organised for the North Creake.	£1,393.33
Village Sign	To assist with repairs/maintenance.	£777.84
War Memorial	To assist with maintenance/repair costs	£2,500
Youth Club		£268.46
<b>Total</b>		<b>£38,531.72</b>

Any further earmarked reserves identified before the year end will be shown in the end of year accounts.