

# Tur Langton Parish Council

## Reserves Policy

~~Adopted meeting 12/5/20~~ Draft for meeting 12/1/21

### 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.

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 Tur 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 reviewed and adopted at the meeting on 12/5/20

## Appendix 1

### Appendix 1 - Reserves in budget for 2020/2021 2021/22

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)

These figures are based on the figures estimated to be carried over at 31/3/2021

#### General Reserve

The precept for 20/21 is set at ~~£9,198~~ £9,483.00. 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~~ £5,584.26. 75% of this is £4,188.20. The budget for 20/21 gives a General Reserve of ~~£3,241~~ £3,300.00. 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	<del>£3,776</del> £276	<p>This is broken down as follows:</p> <ul style="list-style-type: none"> <li>• <del>£3,500</del> carried over from 19/20 payment to JED Design Ltd (a requirement of the landlord, Merton College)</li> <li>• <del>£186</del> towards the front door (additional to grant funding)</li> <li>• <del>£90</del> surplus which can be put towards the renovation project if necessary</li> </ul> <p>This anticipates the £3,500 invoice from JED Design Ltd (a requirement of the landlord, Merton College) has been paid prior to 31/3/21 and is the balance left after that payment. If not required for the renovation project can be used towards loan repayment or otherwise distributed</p>
IT equipment and domain	£200	Held to pay for new equipment when necessary. To be added to through future precepts
Election	<del>£163</del> £448	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.
Village Signs	<del>£163</del> £540	Building up reserve by precepting each year to add to this reserve
<b>Total</b>	<del>£4,362</del> £1,264	

## Appendix 1

### 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.