

Much Marcle Parish Council Reserves Policy

Adopted 19th July 2023

To be Reviewed Annually:

Background

Local authorities need to plan to hold a certain amount of funds in reserves for a variety of reasons. Often these will be earmarked for specific purposes to help the council save up each year towards the cost of capital projects, replacing equipment, in case of contested elections, etc. However, it is also good practice for a Council to hold general *revenue* reserves for reasonable working capital, although the level of a Council's Reserves should be considered carefully.

The generally accepted recommendation with regard to the appropriate minimum level of a Local Council's Reserve (as opposed to its Earmarked Reserves), is that this should be maintained at between three and twelve months Net Revenue Expenditure (NRE)

1. 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 Reserves¹

2. The reason for the wide range (3 to 12 months) is to cater for the large variation in sizes of individual Councils. The smaller the Council, the closer the figure should be to 12 months Net Revenue Expenditure, the larger the Council, the nearer to 3 months. In practice, a Council with an NRE in excess of £200,000 should plan on 3 – 6 months equivalent General Reserve.²

Application to Much Marcle Parish Council

As Much Marcle Parish Council is a small Council with a small Precept, it should be aiming to maintain General Reserves closer to 12 months Net Revenue Expenditure.

Much Marcle Parish Council Reserves Policy

Much Marcle Parish Council and the Responsible Financial Officer will work together to prepare and agree well-thought out, accurate, and detailed Budgets and Precept proposals which take into account, amongst other things:³

- General running costs (including increases in National Pay Award for staff)
- Current and future activities (including the possibility of devolved services)
- Councillor and staff training and development
- Capital projects

¹As per guidance from NALC's Audit and Accounts Advisor Derek Kemp.

²As above.

³As above.

- Replacing and repairing equipment and assets
- Contingencies

Level of financial reserves

The level of financial reserves to be 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 aim will be to hold a Reserve Fund of not less than 50% of the net revenue expenditure. Where this reserve is depleted the Council will consider the appropriate period of time over which to replace it to that level.

The Election Fund.

To be built up between election years at 25% of the anticipated cost of a contested election per annum.

The IT Equipment Fund.

To be held at £750 to allow for laptop replacement if necessary. Once used the sum needs to be built up at a rate of £150 a year until £750 is reached.

The NDP Fund

To be built up at a rate of £400 a year with the balance to be reviewed annually.

Introduction of Other Assets Fund – to link with Asset Register and consider noticeboards, defibrillator eventual replacement or provision of more, pads and batteries, any plan for bus shelters? Transfer an agreed amount into this reserve this year and annually.

Projects – to be built up as required – currently have £9312 in reserve and additional £1100 in budget. Part of this is from the Jubilee.

The General Revenue Reserve Fund.

Comprising surplus funds from previous years' precept.

Cashbook has lots of little reserves which do not link with the policy. Recommend moving earmarked reserves for the following into their budgets for simplicity :

Website - £123.63

Footpaths – £678

Training – 386.23

Grants - £158.95

The above levels of reserves were agreed and this document adopted by the Parish Council at the meeting on the 19th July 2023, to be reviewed again in a year's time.