

Much Marcle Parish Council Reserves Policy

Adopted 19th July 2023

To be Reviewed Annually:

17th July 2024

Proposed amendments November 2024

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

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

²As above.

³As above.

- Capital projects
- 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.

The Assets Fund

Defibrillator – to reserve £100 per year for defibrillator replacement in 2025-26. An additional £100 a year will be needed from 26-27 to cover replacement battery and pads. Bus shelters, noticeboards, fencing and gates. To reserve £150 a year for replacement. Total 25-26 £250 per year to be extended to £350 per year from 26-27.

The Trees Fund

To reserve £500 a year to be held at £3000 for tree maintenance works.

The Projects Fund

Reserve at £5476 in 24-25. To be reviewed once the Parish Wish List has been considered.

The Twinning Association Fund

The reserve received £3257.06 at its onset in 2024. Annual interest to be accrued. The reserve to be held until all funds donated as per the policy.

The General Revenue Reserve Fund.

Comprising surplus funds from previous years' precept.

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.

