

SOUTH LENCHES PARISH COUNCIL BALANCES AND RESERVES POLICY.

Revision of Adopted Policy approved January 13th 2020.

Revision of Policy January 11th 2021.

South Lenches Parish Council is required to maintain adequate financial reserves to meet its needs. The purpose of having a policy will set out how the Council will determine and review its reserves.

The Governance & Accountability for Local Councils Practitioners Guide 2018 states:

As councils have no legal powers to hold revenue reserves other than those for reasonable working capital needs or for specifically earmarked purposes, whenever a council's year-end general reserve is significantly higher than the annual precept, an explanation should be provided to the auditor.

Earmarked reserves, which are set aside for specific purposes and for savings for future projects, should be realistic and approved by the council. However, the amount of general reserve should annually be risk assessed and approved by the council.

This policy will be reviewed annually by the Finance Working Group and reported to the Parish Council as part of the budget setting process. **NB: If no meeting of the Finance Group due to unforeseen circumstances the November meeting of the Council.**

Reserves are categorised as follows:

Specific/Earmarked Reserves:

Funding that is "earmarked" for specific items of expenditure which can be built up over a number of years to reduce the impact of any significant expenditure in one year. They are **not** used for emergency operations.

a) Renewals:

- Effective programme for the replacement of play equipment.
- Replacement of Village Pool road surface.
- Replacement Assets.

b) Insurance reserve - in case of a claim the Council may need to meet the excesses not covered by insurance.

c) Election costs - If 4 yearly elections are contested or a bye-election called.

d) Carry forward of under spend - some of the expenditure budgeted for projects that is not spent in that financial year therefore reserves are used to carry forward these resources.

RESERVE	USE	POLICY
Replacement of equipment and assets.	To build up funds.	Purchase costs to be approved by Council to be met from this reserve.
Replacement of Village Pool road surface.	To build up funds.	Purchase costs to be approved by Council to be met from this reserve.
Insurance.	To hold funds to cover costs/excesses not covered	Expenditure to be approved by Council from

	under insurance policy.	this reserve.
Election costs	To build up funds for contested election.	Expenditure to be approved by Council from this reserve.

Other earmarked reserves may be set up to meet known or predicted liabilities.

General Reserves:

These funds can be used for unexpected emergencies, offset budget requirements or events in order that the Parish Council can meet its legal and statutory requirements:

- Unexpected challenge to audit
- Clerk illness
- Uneven cash flow
- Essential repairs/maintenance
- Unexpected administration duties.
- Offset the budget requirement

There is no specific guidance as to the amount of General Reserves that should be held however the Council must keep in its general reserve sufficient funds to pay three months salary to staff.

Therefore this policy is designed to hold this reserve at minimum of 50% to maximum of 100% i.e. no more than the value of the annual precept i.e. 100%.

RISK	ANALYSIS
Challenge	Costs incurred through threat to village, people and its surroundings.
Employee	Costs incurred through extra hours worked, illness cover.
Short term cash flow	Delay of funds expected.
Essential repairs	Unexpected issues relating to Assets.
Unexpected administrative duties	Costs incurred through challenge or to address an opportunity that arises in relation to the Village, residents or surroundings.
Employment obligations	Provision for cost employment obligations i.e. redundancy, disciplinary issues.
Offset budget requirement.	Funds to cover.

Decisions on the levels of reserves to be held will be made by the Parish Council annually at each meeting held in November. **As at: 24.12.20**

Earmarked Reserves for budget 2021/22 £12,664 (Decrease)
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General Reserves for 2021/22 £5000
