



# **RESERVES**

# **POLICY**

*As adopted at a meeting of Meppershall Parish Council on 16<sup>th</sup> November 2020*

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## DOCUMENT CONTROL

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| <b>Organisation</b>       | Meppershall Parish Council             |
| <b>Title</b>              | MPC Reserves Policy                    |
| <b>Creator</b>            | Alessandra Marabese - Clerk            |
| <b>Source</b>             | Procedures Working Group               |
| <b>Approvals</b>          | Monday 16 <sup>th</sup> November 2020  |
| <b>Distribution</b>       | Internal and External                  |
| <b>Filename</b>           | MPC Reserves Policy v1.0 2019©         |
| <b>Owner</b>              | Clerk                                  |
| <b>Subject</b>            | Financial                              |
| <b>Protective Marking</b> | None                                   |
| <b>Review date</b>        | Annually after adoption or as required |

## DOCUMENT AMENDMENT HISTORY

| <b>Revision No.</b> | <b>Originator of change</b> | <b>Date of change</b> | <b>Change Description</b> |
|---------------------|-----------------------------|-----------------------|---------------------------|
| v1.0                | Clerk                       | 16/11/20              | Policy creation           |
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## **1. INTRODUCTION**

- 1.1. Meppershall Parish Council (MPC) is required to maintain adequate financial reserves to meet the needs of the Parish Council. The purpose of this policy is to set out how MPC will determine and review the level of reserves.
- 1.2. 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 that an authority should hold, and it is the responsibility of the Responsible Financial Officer to advise the Parish Council about the level of reserves to ensure that there are procedures for their establishment and use.

## **2. TYPES OF RESERVES**

- 2.1. Reserves may be categorised as General or Earmarked.

## **3. GENERAL RESERVES**

- 3.1. General Reserves are funds which do not have any restrictions as to their use. These reserves cushion the impact of uneven cash flows, offset budget requirements, if necessary, or can be held in case of unexpected events or emergencies.
- 3.2. Setting the level of General Reserves is agreed with the Annual Budget. The level of general reserves is a matter of judgement and so this policy does not attempt to prescribe a blanket level. The primary means of building general reserves will be through an allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves that have been consumed in the previous year.
- 3.3. Setting the level of general reserves is one of several related decisions in the formulation of the medium term financial strategy and the annual budget. The Council must build and maintain sufficient working balances to cover the key risks it faces, as expressed in its financial risk assessment.
- 3.4. If in extreme circumstances general reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Council would be able to draw down from its earmarked reserves to provide short term resources.
- 3.5. Even at times when extreme pressure is put on the council's finances the council must keep a minimum balance sufficient to pay one month's salaries to staff in general reserves at all times.

## **4. EARMARKED RESERVES**

- 4.1. Earmarked Reserves are held for several reasons and shall only be used for the purpose for the genuine and intended purposes for which they were created. Examples are given below:

- 4.1.1. Renewals – to enable services to plan and finance an effective program of equipment replacement and planned property maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement program can be achieved without the need to vary budgets.
  - 4.1.2. Carry forward of underspend – expenditure committed to a project but not spent in the budget year. Reserves can be used as a mechanism to carry forward these resources.
  - 4.1.3. Developers Contributions – proceeds from developers that can only be used for specified purposes.
  - 4.1.4. Grants – funds received from an organisation for a specific purpose and that cannot be used for anything else.
  - 4.1.5. Insurance - to enable the Council to meet the excesses of claims not covered by insurance.
  - 4.1.6. Election – to cover all reasonable costs of an election charged by the local authority.
  - 4.1.7. Allotment deposits – to protect tenant allotment deposits held by MPC.
  - 4.1.8. Other Earmarked Reserves may be set up from time to time to meet known or predicted liabilities.
- 4.2. Any decision to set up an Earmarked Reserve must be made by MPC.
  - 4.3. Earmarked reserves are to be reviewed annually when the budget is agreed and should be separately identified and enumerated.
  - 4.4. 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 MPC, be transferred to other budget headings within the revenue budget or to General Reserves or to one or more other Earmarked Reserves.

## **5. MANAGEMENT AND CONTROL OF RESERVES**

- 5.1. Movements in Earmarked Reserves and General Reserves shall be reported to the MPC annually or as part of the quarterly financial report and at monthly meetings if required.
- 5.2. The use of Reserves shall be approved by MPC.
- 5.3. The level of General Reserves shall be reviewed on an annual basis during the annual budgetary review and agreed by MPC.
- 5.4. 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 MPC.
- 5.5. Earmarked Reserves shall be reviewed on an individual basis. This review will also be undertaken as part of the Annual Budgetary Review. Recommendations on creation, amendment, cessation or continuation of Earmarked Reserves will be given by the Responsible Financial Officer to MPC by way of a report forming part of the recommendations for the Annual Budget and Precept request by MPC.

5.6. Approval for the creation, amendment, cessation or continuation of Earmarked Reserves will be given by MPC.

## **6. CURRENT LEVEL OF FINANCIAL RESERVES**

6.1. The current level of general reserves to be held by the council is three (3) and twelve (12) months Net Revenue Expenditure (NRE). NRE (subject to any planned surplus or deficit) is effectively Precept\Levy less any Loan Repayment and/or amounts included in Precept\Levy for Capital Projects and transfers to Earmarked Reserves.

6.2. The year-end general reserve should not be significantly higher than the annual precept.

6.3. None of the above (6.1-6.2) in any way affects the level of Earmarked Reserves that MPC may or should hold however, significant levels of EMRs in particular may give rise to enquiries from Internal and/or External Auditors.