Dymock Parish Council Reserves Policy

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.

General Reserves

The generally accepted recommendation with regard to the appropriate minimum level of a Local Council's General 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 Reserves.

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.

As Dymock 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. General Reserves are funds which do not have any restrictions on their use. They cushion the impact of uneven cash flows, offset budget requirements if necessary or can be held in case of unexpected events or emergencies.

Earmarked Reserves

Earmarked Reserves shall only be used for the purpose for which they were created:

- Renewals - to enable the planning and financing of an effective program of equipment and property maintenance/refurbishment. The funds are built up incrementally over several years when considering asset conditions and asset life.
- Carry forward of an underspend of a particular project – expenditure committed to a project but not spent in the budget year. Reserves can be used as a mechanism to carry forward these resources.
- Other Earmarked Reserves – these may be set up from time to time to meet known or predicted liabilities.

Where the purpose of an Earmarked Reserve becomes obsolete, or where there is an overprovision of funds, the excess, may on approval of the Parish Council, be transferred to the budget headings within the revenue budget, to General Reserves or to one or more Earmarked Reserve.

Earmarked Reserves will be established on a 'needs' basis in line with anticipated requirements and these are to be reviewed annually when the budget is agreed.

The Beauchamp Arms Maintenance Fund
To maintain an annual earmarked reserve of £9000 for loan repayments, basic utilities and emergency maintenance works should rental income be impacted.

The Play Equipment Maintenance Fund
To be built up at a rate of £1000 per annum to allow for maintenance and replacement costs as per the annual play equipment inspection.

Public Conveniences and Phone Box Maintenance Reserve Fund ***title amended***
To be held at £500 to allow for redecoration costs and emergency repairs. Once used to be built up at a rate of £100 per annum until £500 is reached.

Trees Reserve Fund
To be held at £1500. Once used the sum is to be built up at a rate of £250 per annum until £1500 reached.

The Election Fund
To be built up between election years at 25% of the anticipated cost of a contested election per annum. £500 to be earmarked per year to cover cost of a contested election and held at £2000 during election year, next in May 2027.

The IT Equipment Fund
To be held at £600 to allow for laptop replacement if necessary. Once used the sum needs to be built up at a rate of £150 a year until £600 is reached.

The Defibrillator Fund ***added***

To be built up at £150 per year for replacement and new defibrillator costs. Pads and batteries required each year will be part of the annual budget.

The NDP Fund ***added***

To be built up annually by £1000 with future expenditure and the reserve to be reviewed annually.

Approval for the creation, amendment, cessation or continuation of Earmarked Reserves will be considered by Parish Council Matters and ratified by the Parish Council.

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 General 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. If in extreme circumstances General Reserves were exhausted due to major unseen spending pressures, the Parish Council would be able to draw down from its EMRs to provide short term resources.

Dymock Parish Council Reserves Policy

Dymock 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:[1]

- 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
- Replacing and repairing equipment and assets
- Contingencies

The above levels of reserves were agreed and this document adopted by the Parish Council at the meeting on the 9th January, 2024

To be reviewed annually.

Approved 11th June 2024 with amendments to be made prior to the 2024/25 budget

[1]As above.