

East Langton Parish Council

Reserves Policy – agreed at meeting 5/7/23

1 Purpose

East Langton Parish Council is required to maintain adequate Financial Reserves to meet the needs of the Parish Council. 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.

Local Councils have no legal powers to hold revenue reserves other than for reasonable working capital or for specifically earmarked purposes. It follows that the year-end General Reserve should not be significantly higher than the annual precept. If the amount of reserves at the year-end are above a certain level in relation to the annual precept the council must give an explanation of the reserves held to the Auditor.

There is no specified minimum level of reserves that an authority should hold and it is the responsibility of the Responsible Financial Officer (RFO) to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use.

The purpose of this policy is to set out how the Council determines and reviews the level of reserves.

2 Types of reserve

The council holds three types of reserves categorised as:

- General Reserves (held to cushion the impact of uneven cashflow or unexpected events),
- Earmarked (held for specific purposes) and
- Ringfenced (held for one purpose only and cannot be transferred, for example grants allocated for a specific project only, which may not be used for any other purpose or Lightsource funding which is for projects that benefit the community)

The RFO will keep a schedule of reserves held at the year-end on the budget spreadsheet.

3 General Reserves

General Reserves do not have any restrictions as to their use. These reserves can be used to smooth the impact of uneven cash flows, offset budget requirements if necessary or can be held in case of unexpected events or emergencies.

The primary means of building the General Reserve is through an allocation in the annual budget.

Approval of the full council is required to move funds from the General Reserve.

The level of financial reserves held by the council will be agreed by the council during the discussions held regarding the setting of the budget for the next financial year.

The Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide advises that the generally accepted recommendation with regard to the appropriate minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three and twelve months Net Revenue Expenditure (where 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). The Leicestershire and Rutland Association of Local Councils has advised (verbally) that a council the size of East Langton Parish Council should aim to hold 75% (9 months) of Net Revenue Expenditure as a General Reserve.

4 Earmarked Reserves

Earmarked Reserves will be established on a "needs" basis in line with anticipated requirements to meet known or predicted liabilities.

Earmarked Reserves must be reviewed and / or established by the council at the annual budget setting meeting.

Expenditure from earmarked reserves can only be authorised by the full council at a Parish Council meeting.

Reserves should not be held to fund ongoing expenditure. This would be unsustainable, as at some point the reserves would be exhausted. If reserves are used to meet short term funding gaps, they must be replenished in the following year. However earmarked reserves that have been used to meet a specific liability would not need to be replenished, having served the purpose for which they were originally established.

The council may hold Earmarked Reserves in the following categories:

- Carry forward of underspend, where some expenditure is budgeted for projects but not spent in that financial year. Reserves are used as a mechanism to carry forward these resources.
- Reserves built up over a time period, for example, to pay for an election. The setting aside of funds over a period of time to meet known future expenditure reduces the impact of meeting the full expenditure in one year.

5 Ringfenced Reserves

These are funds that cannot be used for any other purpose.

East Langton Parish Council receives funds from "Lightsource". Payments are received annually for 20 years and are index linked. The payment received in March 2022 was £2,989.73. The first payment was received in May 2017. Lightsource stipulate that "the fund can be used towards any project that will benefit the community. The Parish may wish to support or initiate long term projects, or they may prefer to draw new ideas from the community each year in order to support a variety of projects over the life of the fund". This is currently the only ringfenced reserve.

Other ringfenced funds, for example grant funding for the Neighbourhood Plan Review or donations for a specific item could occur during the year.

6 Reserves in budget for 2023/24

General Reserve

- 4.3 The precept for 23/24 is set at £8,320, 75% is £6,240.00. The General Reserve in this budget is £4,506 therefore low. The council is aware that there is a shortfall and will work towards increasing the General Reserves in future budgets.

Earmarked Reserves

The revised budget agreed on 5/7/23 the following Earmarked Reserves:

Defibrillator Maintenance	£250	This is for any unexpected maintenance to the defibrillator, e.g. replacement of electrodes if it is used or damage to the cabinet. There is also £300 in main budget to cover replacement of battery and electrodes in defibrillator in East Langton.
Maintenance of Street furniture	£250	This is for any unexpected maintenance. Note £200 in main budget for general maintenance.
Election	£965	£225 floated in from 22/23 budget to build up reserve. Need to build up £1,656.32 by 2023 election (May)
Trees	£100	For unexpected tree work. Note £200 in main budget for routine work
Total	£1,565	

Ringfenced Reserve - Lightsource funding

The actual carry over at 31/3/23 is £14,530.65. This is ringfenced for projects (see stipulation at 5 above). So far, expenditure from these funds has included purchase

of defibrillators, memorial benches and payment for the playing of the bugle at a remembrance service.

At the meeting on 17/5/23 it was agreed to allocate £2,500 of Lightsource Funding towards grant and donations for the 23/24 year in line with the council's Grants and Donations Policy. This will be reviewed again in May 2024 for the 24/25 financial year.

At the meeting on 1/3/23 it was agreed to pay the clerk an additional one hour a week from Lightsource Funding for work on Lightsource related projects from 1/4/23. To be reviewed from 1/4/24. This equates to £627.12 a year at the current rate of pay.

Wildflower verge – it was agreed at the meeting on 5/7/23 to allocate £200 of Lightsource funding towards this project in the 23/24 year.

The breakdown of Lightsource Funding carried over at 31/3/23 is:

Lightsource breakdown	
Actual carry over at 31/3/23	£14,530.65
Wildflower verge	£200
Grants and Donations	£2,500
Salaries	£627.12
Balance not allocated	£11,203.53

These figures will be reviewed in January 2024 when the budget for 24/25 is set.

The unallocated balance is committed towards siting of an old pump on the Village Green and protection of Thorpe Path Field. It has also been agreed to continue to explore other projects (including possible use of this funding towards Highways Projects)

7 Review of this policy

This policy will be reviewed annually at the budget setting meeting and may be subject to review during the financial year in any review of the budget.