



BOTTESFORD PARISH COUNCIL

Serving the People of Bottesford, Muston, Easthorpe and Normanton

FINANCIAL RESERVES POLICY

Adopted at Bottesford Parish Council meeting on 08th February 2021

Reviewed and updated at Bottesford Parish Council meeting on 09th May 2022

Signed: (Chairman)

Date:

Signed: (Clerk)

Date:

Date for Review: May 2023

FINANCIAL RESERVES POLICY STATEMENT

A well-run Parish Council, with a prudent approach to setting its budget will each year consider its level of General Reserves. These General Reserves will also need to be supported by Earmarked/Specific Reserves for specific needs, contingencies and commitments. In assessing the level of the Parish Council's reserves, account needs to be taken of the risks facing the Council in terms of any significant unforeseen expenditure requirements.

Balancing the annual budget by drawing on reserves must be viewed as a legitimate short-term option only. Reserves must not be deployed to finance on-going/recurrent expenditure as this would be unsustainable because at some point, the reserves would be exhausted.

Reviewing the Parish Council's Financial Risk Assessment is part of the annual budgeting and year end accounting procedures and identifies planned and unplanned expenditure items and thereby indicates an appropriate level of reserves.

The purpose of this policy is to set out how the Parish Council will determine and review the level of reserves.

This policy on the establishment, maintenance and adequacy of reserves and balances will be reviewed annually.

This Financial Reserves Policy shall form a part of the Financial Regulations of Bottesford Parish Council and, as such, will be reviewed annually and may only be amended or varied by resolution of the Council.

BOTTESFORD PARISH COUNCIL
FINANCIAL RESERVES POLICY

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BOTTESFORD PARISH COUNCIL

FINANCIAL RESERVES POLICY

1. INTRODUCTIONS

Bottesford Parish Council 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 the Parish Council will determine and review the level of reserves. 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.

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

2. PURPOSE

The Parish Council is required to maintain adequate Financial Reserves to meet its foreseeable needs and commitments, and also to have money available in the event of an emergency.

The Council will hold reserves for four main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
- A contingency to cushion the impact of unexpected events or emergencies.
- A means of building up funds, to meet known or predicted requirements. 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.
- Holding funds earmarked for statutory reasons.

3. PROCEDURE

Any decision to set up a reserve must be made by the Parish Council. The Parish Council will be required to consider the following when making recommendations for each reserve:

- The reason for/purpose of the reserve.
- How and when the reserve can be used.
- Procedures for the reserve's management and control.
- A process and timescales for review of the reserve to ensure continuing relevance and adequacy.

Expenditure from reserves can only be authorised/made by the Parish Council.

The reserves will be reviewed by the Parish Council as part of the annual budgeting process.

The Responsible Financial Officer (RFO) will maintain a detailed schedule of all reserves which will form part of the accounts package.

4. TYPES OF RESERVE

Reserves can be categorised as:

- General Reserves.
- Earmarked/Specific Reserves.
- Statutory Reserves.

5. GENERAL RESERVES

This is the non-ring fenced (i.e. not specific/earmarked) balance of the Bottesford Parish Council's funds which do not have any restrictions as to their use. The main purposes of the General Reserves are:

- To operate as a working balance to help manage and smooth the impact of uneven cash flows.
- To provide a contingency cushion, held to cope with the impact of unforeseen events or genuine emergencies.

In general, a robust level of reserve should be maintained and take account of operational and financial issues facing the Parish Council. The levels of General Reserves may change from year to year.

Setting the level of General Reserves is one of the decisions to be taken in the formulation of the Parish Council's medium term financial strategy and is agreed as part of the Annual Budget setting process. The Responsible Financial Officer (RFO) is to ensure the Parish Council maintains sufficient working balances to cover the key risks it faces, as expressed in its financial risk assessment.

The level of the General Reserves for the forthcoming year will take account of the strategic, operational, and financial risks of the Parish Council's main areas of income and expenditure and consider any provisions and contingencies that may be required. Items to be considered will include:

- The level of inflation and interest rates.
- Income levels below budgeted level.
- Salary and benefit reviews negotiated by the National Joint Council for Local Government Services (NJC).
- Revaluation and changes to required funding for the Local Government Pension Scheme (LGPS).
- Salary inflation greater than budgeted level.
- The level and timing of revenue and any capital receipts.
- Planned efficiency savings/gains.
- Availability of other funding sources e.g. Grants.
- Financial risks inherent in any new project.
- Unexpected essential repairs or maintenance work.
- One-off events.
- Demand led pressures.
- Legislation changes.
- Uninsurable losses.
- Any capping of Parish Council precept by central government.

The level of General Reserves is a matter of judgement and whilst this policy does not attempt to prescribe a specific level, although guidance (*i.e. Good Councillors Guide on Finance & Transparency 2017*) states that "a council should typically hold between 3 and

12 months expenditure as a General Reserve". It is the intention of Bottesford Parish Council to maintain the General Reserves at a minimum level equivalent to 50% of the annual precept income, with a preferred target level being between 55% to 70%.

If the General Reserves becomes depleted below the minimum level (*i.e. 50% of the annual precept income*) agreed and accepted by the Parish Council, then the funds will be built up in subsequent years to the agreed minimum balance. The primary means of building General Reserves will be through an allocation built in the annual budget, but may also be potentially enhanced through the reallocation of funds (e.g. underspends) where an existing project comes in under budget. This will be in addition to any amounts needed to replenish reserves that have been consumed in the previous year.

However, at all times there should be sufficient General Reserves held to cover staff salaries for two months and/or to cover for long term sickness or the resignation of the Parish Clerk, whereby the services of a locum clerk may be required.

If in extreme circumstances General Reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Parish Council would be able to draw down from its Earmarked/Specific Reserves to provide short term emergency resources, which would then be replenished in the next annual budget.

The use of General Reserves must be authorised by the Parish Council.

Where the reserve amount has arisen because of excess funds through cancelled or obsolete activities the Parish Council may elect to use these funds for another purpose for which no other budget is available.

The level of the General Reserves should not exceed the annual precept, as to do so may mean the Parish Council having to justify the reason to the external auditors.

6. EARMARKED/SPECIFIC RESERVES

The purpose of an Earmarked/Specific Reserve is to set aside amounts for projects/expenditure that extend beyond one year or as a contingency against a specific situation occurring. Where expenditure is planned in future accounting periods, it is prudent to build up reserves in advance by accumulating funds, for use in a later financial year, to meet these known or planned policy initiatives.

Earmarked/Specific Reserves will increase through decisions of the Parish Council and will decrease as they are spent on their specific intended purposes.

Earmarked/Specific Reserves may be created for projects and activities such as:

- Children's Play Equipment replacement.
- Street furniture replacement (*i.e.* defibrillators, benches/seats, litter bins, dog waste bins and notice boards).
- Street lighting equipment replacement.
- Routine repair of heavy/expensive maintenance items (*i.e.* trees).
- Maintenance of land owned or leased by the Council.
- Road safety and traffic calming projects.
- Carry forward of underspend (*i.e.* expenditure committed to a project but not spent in the budget year). Reserves can be used as a mechanism to carry forward this resource.
- Future projects.

- Insurance – so as to cover risks not covered by insurance and/or to meet any claim excesses (i.e. fallen/dangerous trees, fencing and/or gate repairs).
- Possible election costs in event of casual vacancy and contested elections.

The Parish Council should specifically hold funds to cover the cost of a council election, as all reasonable costs of holding a parish council election can be fully recharged by Melton Borough Council. The need for and the level of Election Reserves funding should allow for by-elections as well as planned four yearly dates.

Any decision to set up and to allocate funds to an Earmarked/Specific Reserve, to meet known or predicted specific requirements or improvement projects, must be made by the Parish Council. When an Earmarked/Specific Reserve is established, a clear reason/purpose should be set out, together with limitations on how and when the funds are expected to be used.

All Earmarked/Specific Reserves are to be recorded on a central schedule ([see Appendix A](#)) held by the Responsible Financial Officer (RFO) which lists the various Earmarked/Specific Reserves and the purpose for which they are held.

Expenditure from Earmarked/Specific Reserves can only be authorised by the Parish Council, as per Standing Orders. It is the responsibility of the Responsible Finance Officer (RFO) to ensure funds are spent in line with their purpose.

The purpose of each Earmarked/Specific Reserves should be reviewed annually as part of the budget setting process in November/December, to ensure their continuing relevance and adequacy.

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

If, in extreme circumstances, General Reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Council is able to draw down from its Earmarked/Specific Reserves to provide short-term resources.

7. STATUTORY RESERVES

Bottesford Parish Council may also need to hold reserves that arise out of the interaction of legislation and proper accounting practices. Such Statutory Reserves could include:

- Developers Contributions – proceeds from developers that can only be used for specified purposes.
- Community Infrastructure Levy (CIL) – proceeds that can only be used in accordance with CIL regulations (*i.e. Melton Borough Council's requirements*).

8. MANAGEMENT & CONTROL OF RESERVES

Movements in Earmarked/Specific Reserves and General Reserves shall be reported to the Parish Council on a monthly basis as part of the normal accounting reports, and on an annual basis as part of the annual accounting report.

The use of Reserves shall be approved by the Parish Council having regard to this policy and Bottesford Parish Council's Financial Regulations. The level of General Reserves

shall be reviewed on an annual basis during the Annual Budgetary Review process and agreed by the Parish Council. The minimum level of General Reserves shall be recommended to the Parish Council by the Responsible Financial Officer (RFO). This will form part of the recommendations for the Annual Budget and Precept request by the Parish Council.

Earmarked/Specific Reserves shall be reviewed on an individual basis. This review will also be undertaken as part of the Annual Budgetary Review process. Recommendations on creation, amendment, cessation or continuation of Earmarked/Specific Reserves will be given by the Responsible Financial Officer (RFO) to the Parish Council by way of a report forming part of the recommendations for the Annual Budget and Precept request by the Parish Council. Approval for the creation, amendment, cessation or continuation of Earmarked/Specific Reserves will be given by the Parish Council.

Given the opportunity costs of holding Reserves, it is critical that Reserves continue to be reviewed each year as part of the budget process to confirm that they are still required and that the level is still appropriate meetings.

9. CURRENT LEVEL OF FINANCIAL RESERVES

The level of Financial Reserves (i.e. General and Earmarked/Specific) held by Bottesford Parish Council will be agreed by the Parish Council during the discussions held regarding the setting of the budget for the next financial year and year end accounting procedures. The Responsible Financial Officer (RFO) will advise the Parish Council on the level of Financial Reserves required to fulfil its obligations.

Total Financial Reserves (i.e. General and Earmarked/Specific) held by Bottesford Parish Council (as at the 31st March 2022) are £148,662.94.

The current level of General Reserves held by the Parish Council is £106,562.94, being a Prudency Reserve that equates to 50% of the annual precept income figure, i.e. sufficient to cover six months expenditure, which is £60,000 (i.e. £120,000 x 50%) for the financial year 2021/22, plus £5,000 relating to 2021/22 Committed Funding where the expenditure will not be made until the new financial year, with the remaining amount being an Unallocated Reserves of £41,562.94.

Earmarked/Specific Reserves currently held by the Parish Council amount to £42,100, being split between funds for arborist; replacement defibrillators; play equipment; street furniture; street lightening; tree charter donations; as well as potential by-election costs. A breakdown of how the Earmarked/Specific Reserves are specifically allocated can be seen at [Appendix A](#), which is attached.

This document was adopted and agreed by councillors at the Bottesford Parish Council meeting held on 08th February 2021 (*Minute Reference 051/21*), with the above levels of Reserves being agreed/confirmed by councillors at the Bottesford Parish Council meeting held on [09th May 2022 \(Minute Reference 117/22\)](#). The level of reserves are scheduled to be reviewed again in April 2023, following the 2022/23 financial year end and again in a year's time as part of the 2023/24 financial year budget setting process.

RESERVES BREAKDOWN

Appendix A

Position 31st March 2022 (2021/22 Year End)				BPC Reserve Funds	
Funds Held Within HSBC Bank	BSC:	40:32:14	Account: 51577565		£46,562.94
Funds Held at HSBC Bank	BSC:	40:32:14	Account: 51577573		£102,100.00
Total Value of Reserve Funds					<u>£148,662.94</u>
Funds Allocation:					
General Reserves					
2021/22 Committed Funds Where Expenditure Not Yet Made					
	Purpose/Use:	Parish Projects - Village Entrance Planters		£2,500.00	
	Purpose/Use:	Grant to Friends of Belvoir Academy ('Chill-Out' Garden Project).		£2,500.00	
Prudency Reserve - 50% of Council's Annual Precept (Per Current Annual Budget)				£60,000.00	
	Purpose/Use:	To avoid any cash flow issues at start or during financial year			
	Calculation:	£120,000 * 50%			
Unallocated				£41,562.94	
					£106,562.94
Building Repair Fund					
Grant Funding Available To Bottesford Institute					£0.00
	Purpose/Use:	No Longer Relevant/In Use.			
		Previously used to build up funds to help with the costs of 'major' repairs to The Old School building. In July 2021, the previously accumulated funds moved across to The Bottesford Institute to be held 'ring fenced' for building repairs and maintenance.			
Specific Reserves					
By-Election Costs				£2,000.00	
	Purpose/Use:	To cover By-Election costs in the event of a councillor resignation			
	Calculation:	Based on 2019 By-Election approx.. £2,000 charged by Melton BC			
Arborist & Tree Surgery (3 Year Cycle)				£5,000.00	
	Purpose/Use:	To fund tree surgery works following arborist's 3yearly Tree Survey			
	Calculation:	Total of £15,000 to be built up at £5,000 per annum from 2021/22			
Defibrillators Replacement (Approx. £2,000 each)				£6,000.00	
	Purpose/Use:	For new/replacement defibrillators on a 10yearly rolling plan			
	Calculation:	Eight defibrillators with four changed every 5years (£2,000 * 4)			
Play Equipment Replacement				£20,000.00	
	Purpose/Use:	For new/replacement play equipment on a 10yearly rolling plan			
	Calculation:	Five sites with costs or £25,000+ per site (Grants maybe available!)			
Street Furniture - Bins, Benches, Bollards & Notice Boards Replacement				£0.00	
	Purpose/Use:	For new/replacement Street Furniture as renewal required.			
	Calculation:	Currently this Reserve not being actively used or funded.			
Street Lightening [LED] Replacement (Including HID Lamps) (10 Year Cycle)				£9,000.00	
	Purpose/Use:	For new/replacement HID Bulbs (5 year expected life span) and LED Lamps and Electronic Ballast on a 10yearly rolling plan			
	Calculation:	98 Lamps throughout village at cost of £350 each equates to £34,300+			
Tree Charter Fund - Donations & Legacies Reserve [Ring Fenced]				£100.00	
	Purpose/Use:	For the sponsoring and planting of Trees with in the Parish as per the Council's Tree Charter.			
	Calculation:	Funding through donations & legacies from parishioners and businesses.			
					£42,100.00
					<u>£148,662.94</u>

BOTTESFORD PARISH COUNCIL

FINANCIAL RESERVES POLICY

Version Control Record

Ref.	Date of Update	Details of Amendments/Changes	BPC Approval Minute
1	February 2021	<p>Writing of a Financial Reserves Policy.</p> <p>Writing/producing a document entitled Reserves Breakdown (Appendix A), that gives details of the reserves held by the Parish Council as at the end of January 2021</p> <p>Attaching the approved Reserves Breakdown (Appendix A) to the Financial Reserves Policy document.</p>	051/21
2	April 2021	<p>Update the Reserves Breakdown (Appendix A) document to reflect details of the reserves held by the Parish Council as at the end of March 2021 (i.e. c/fwd to start of 2021/22 financial year)</p> <p>Incorporate the updated and approved Reserves Breakdown (Appendix A) in to the Financial Reserves Policy document</p>	116/21
3	May 2022	<p>Update the Reserves Breakdown (Appendix A) document to reflect details of the reserves held by the Parish Council as at the end of March 2022 (i.e. c/fwd to start of 2022/23 financial year)</p> <p>Incorporate the updated and approved Reserves Breakdown (Appendix A) in to the Financial Reserves Policy document</p>	117/22
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