

Reserves Policy

Introduction

Nunney Parish Council is required to maintain adequate financial reserves to meet the needs of the Council. The purpose of this policy is to set out how the 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. However, there is no specified minimum level of reserves that an authority should hold, and it is the responsibility of the Responsible Financial Officer (with support of the Finance Working Group) to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use.

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

Types of Reserves

Nunney Parish Council Reserves are categorised as Recurring, and Project related.

Recurring Reserves are held for the following reasons:

- Operational costs – up to 6 months operational expenditure is required in case the budget were exhausted due to major unforeseen spending pressures within a particular budget year, the Council would be able to draw down from its recurring reserves to provide short term resources.
- Election Expenses – following an election, reserves need to be built back up to cover the costs of the next one
- Insurance excess payments or emergency expenses not covered by insurance
- Estates Related – These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.

Project Reserves are held for the following reasons:

- Carry forward of underspend - some committed expenditure for projects may not be spent in the budget year. Reserves are used as a mechanism to carry forward these resources to the next budget year.
- Specific Project reserves may be set up from time to time to meet known or predicted projects i.e., marketplace improvements, etc.

Project reserves will be established on a “needs” basis, in line with anticipated requirements.

Any decision to set up a reserve must be made by the Council.

Expenditure from reserves can only be authorised by the Council. Although the Council will generally only spend the reserves on the items allocated for the reserves (and not to exceed the relevant sublimit), ultimately the Council is able to spend the reserves on anything it decides, particularly if unforeseen problems or exceptional circumstances arise.

All Reserves are recorded on a central ledger maintained by the Clerk (under the supervision of the Responsible Financial Officer and the Finance Working Group) which lists the various Recurring and Project Reserves and the purpose for which they are held, and how they have been spent or carried forward. If possible, a separate interest bearing account will be held at the Council’s bank called ‘Reserves’.

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

Current level of financial reserves

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

Recurring Reserves

	Target	Currently Held in Reserves	Require	
Operational	£16,000	£9,000	£7,000	Cover for unclaimable expenses i.e., Clerk salary, grass cutting
Elections	£1,250	Nil	£1,250	Transfer £250 each year until target met
Insurance & Emergencies	£1,100	Nil	£1,100	To cover excess when making claims and for emergency expenses not covered by insurance or the general budget

Project Reserves

	Target	Currently Held in reserves	Require	
Market Place	£2,000	Nil	£2,000	

TOTAL reserves required for 2023/2024 = **£20,250**

The above levels of reserves were agreed, and this document adopted by Nunney Parish Council at the Nunney Parish Council meeting held on the 3 April 2023, to be reviewed again January 2024 when setting the budget for the budget year 2024/2025.

Signed by Chair:  *Simon Clegg*

Date: } April 2023-