

East Langton Parish Council

Reserves Policy – draft for review 5th Jan 2022.

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 2021 was £2779.88. 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 2021/22-2022/23

General Reserve

The precept for 21/22 22/23 is set at £5,794.00 £7,034. Deducting the amounts included in the precept for transfer to Earmarked Reserves (Election £225 and Defibrillator Maintenance £63) gives Net Revenue Expenditure of £5,506 £6,809. 75% of this is £4,129.50 £5,107.00 The budget for 20/21 22/23 gives a General Reserve of £2,912.00. The council is aware that there is a shortfall and will work towards increasing the General Reserves in future budgets.

Earmarked Reserves

The budget gives the following Earmarked Reserves:

Defibrillator Maintenance	£126	Building up reserve. Manufacturer's estimate maintenance costs for 8 years is £250 + VAT. Although the school has undertaken to pay these costs for the one sited there, assume that we may have to pay if this decision is varied. Therefore estimate £500 plus VAT over 8 years for the two. £63 per year in budget over 8 years to build up budget. Current reserve is £63 floated from 19/20 budget and £63 from 20/21 budget. Further £63 included in 21/22 budget to be floated into reserve at year end.
Maintenance of Street furniture	£225	Building up of reserve for future major refurbishment and contingency for unexpected work. There was a major refurbishment in 19/20 year, however work has been identified as required for some items during the 21/22 year, £200 has been put in budget for 21/22 year, any unspent will be floated into reserve at year end to build up reserve.

Election	£625 £850	Building up of reserve. £400 balance left over from reserve held for 2019 election, £225 added from 20/21 and 21/22 year budgets. Aiming to build up £1,300 by 2023 election. £225 a year to be added to budget, floated into reserve at the end of the year
Trees	£200	For trees on Village Green. Next assessment due May 2022 and so this reserve is building has built up funds to pay for the assessment and any work identified or to help fund any emergency work identified prior to this. This was floated into reserve from unspent money in the budget for this category in 20/21 year. £100 in budget for 21/22 22/23 year for any emergency work and if not used will be floated into this reserve at the end of the year.
Total	£1,176 £1,275	

Ringfenced Reserve - Lightsource funding

actual carry over at year end was £10,831.31 and this is what is shown as held as the Ringfenced Reserve at 31/3/21.

Estimated carry over at 31/3/22 is £13,138.37. This is ringfenced for projects (see stipulation at 5 above). So far, expenditure from these funds includes ~~(or are committed for)~~ purchase of defibrillators, memorial benches and payment for the playing of the bugle at a remembrance service. The funds are currently committed for siting an old pump in the village. ~~and installing litter/dog bins.~~

At the meetings on 18/11/21 and 5/1/22 it was agreed to use these funds for:

- emptying of the litter bins
- maintenance of the defibrillators
- contribution towards maintenance of the church clock,
- towards the protection of the Thorpe Path Field in Church Langton

It was also agreed to continue to explore other projects (including possible use of this funding towards Highways Projects)

Proposal at meeting 5/1/22 for inclusion if agreed

The budget agreed at the meeting 5/1/22 gives the following estimated breakdown of Lightsource Funding

Lightsource breakdown	
Estimated carry over at 31/3/22	£13,138.37
Defibrillator Maintenance	£500.00
Litter bin maintenance 22/23	£160.00
Wildflower verges 22/23	£100.00
Church Clock 22/23	£150.00
Balance not allocated	£12,228.37

At the meeting on 5/5/21 it was agreed that some of these funds are to be held for potential legal fees in relation to the Thorpe Field (Diocesan Field). Other projects are to be explored for this funding throughout the year.

The 21/22 budget includes in the precept and earmarked reserves for maintenance of the defibrillator and maintenance of the bins to reduce the impact on the budget when the Lightsource funding ceases (2036).

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.

This policy was reviewed and adopted by the council at the meeting on 5/5/21 5/1/22 and will be reviewed again in May or June 2022 when the actual figures carried over at 31/3/22 are known.