

Marchington Parish Council

Reserves Policy

Introduction

Marchington Parish Council is required to maintain adequate financial reserves. 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 to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use.

Types of Reserves

Reserves for Marchington Parish Council can be categorised as General, Earmarked and Solar Deed of Benefit.

General Reserves - Are funds which do not have any restrictions as to their use. These reserves can be used to smooth the impact of uneven cash flows, offset the budget requirement or can be held in case of unexpected events or emergencies e.g. Election costs

The general reserve of Marchington Parish Council should not fall below half of the precepted amount received from the Borough Council.

If in extreme circumstances General Reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Council would be able to draw down from its earmarked reserves to provide short term resources.

Even at times when extreme pressure is put on the Council's finances the Council must keep a minimum balance sufficient to pay three month's salaries to staff in General Reserves at all times.

Earmarked Reserves - Are established on a "needs" basis, in line with anticipated requirements. Earmarked reserves can be held for different reasons:

- Carry forward of underspend – if expenditure is committed to projects but cannot/is not spent in the budget year. Reserves are used as a mechanism to carry forward these resources.
- Other earmarked reserves may be set up from time to time to meet known or predicted liabilities e.g. refurbishment of play areas

Any decision to set up a reserve must be by resolution of Full Council. Expenditure from reserves can only be authorised by the Council. Reserves should not be held to fund on-going expenditure. This would be unsustainable as, at some point, the reserves would be exhausted.

To the extent that 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. All Earmarked Reserves are recorded on the Parish Council's accounts.

Solar Farm Reserve - Marchington Parish Council receives annual deed of benefit payments from two of the three solar farms located within the Parish. This arrangement is due to continue to 2026.

This reserve is to be used at the discretion of the councillors to fund small projects that will benefit the village. Applications can be made at any time of the year but must be brought to council via a Councillor on behalf of the applicant.

A limit of £7,000 can be spent per year out of this reserve all spending decisions having to be voted on and passed by a majority vote of the council.

Current level of financial reserves

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

The current agreed levels of reserve for 2018/19 are shown below.

General Reserve to not fall below £15,000

£15,000 6 month running costs

Earmarked Reserve Total

£10,000 Forestside play area improvements

£ 5,000 Election costs 2019

£ 3,000 Silver Lane Playground Repairs

£ 3,000 Professional Fees

Solar Farm Money Total - £29,800