



FOREST ROW PARISH COUNCIL RESERVES POLICY [ancillary to the FRPC Financial Regulations]

1. INTRODUCTION

The Parish Council is required to maintain adequate financial reserves to meet the needs of the organisation. The purpose of this policy is to set out how the Council will determine and review the level of reserves.

Section 50 of the Local Government Finance Act 1992 requires local councils 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 (RFO) to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use.

The Council's policy on the establishment, maintenance and adequacy of reserves and balances will be considered annually.

2. TYPES OF RESERVE

The Council will hold reserves for these three main purposes:

- A working balance – this forms part of the general reserves.
- A contingency fund– this also forms part of general reserves.
- A means of building up funds, sometimes called 'earmarked' but referred to in this policy as nominated reserves, to meet known or predicted requirements.

3. GENERAL RESERVES

3.1 The general reserves are a balance on the Council's revenue account which is not held for any specific purpose other than to cushion the council's finances against any unexpected short-term problems in the council's cash flow, or to allay the impact of unexpected events or emergencies.

3.2 The general reserves are to be maintained at a level based upon a risk assessment carried out annually by the RFO when setting the budget for the forthcoming year. Any surplus on the general reserves above the required balance may be used to fund capital expenditure, be appropriated to nominated reserves or used to limit any increase in the precept.

3.3 The current protocol with respect to general reserves is that: "The Parish Council should endeavour to maintain its revenue reserve balances at a level of 6 months of net expenditure." The internal auditor has indicated that under the council's current financial arrangements, a general reserve figure of £160,00 is desirable, and the figure should not be less than £150,000.

4. NOMINATED RESERVES

4.1 Nominated reserves represent:

- ring-fenced balances of grant funds or third-party allocations reserved to specific projects in progress;
- amounts generally built up over a period of time which are nominated for specific items of expenditure to meet known or anticipated liabilities or projects, and intended to reduce the impact of meeting the full expenditure in one year.

4.2 Note that it is not the policy of this Council to operate a 'carryover' system whereby unspent reserves are automatically carried forward into the following financial year. Nevertheless, where a nominated reserve is expected to be increased annually towards a projected future total, the amount nominated in any given year will be treated as the starting point for the calculation of an increased figure in a following year.

4.3 The Council, when establishing a nominated reserve, will set out:

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

4.4 As part of the calculation of a nominated reserve, consideration must be given as to when the projected expenditure will fall due. If the nominated reserve is to be built up over a period of years, annual increases in the relevant reserve should be on a proportionate incremental rather than a fixed annual basis (ie the sum set aside increases by a set percentage each year), so that the financial liability falls progressively on those taxpayers more likely to benefit from the final implementation of the relevant asset or service.

5. GOVERNANCE ISSUES

5.1 The policy on Reserves will be reviewed annually as part of the review of Financial Regulations and reported to the Council as part of the budget setting process.

5.2 The RFO will consider the likely needs of the general and nominated reserves for the forthcoming financial year as part of the process of setting the revenue budget, having regard to the predicted outturn of the current year income & expenditure. However, the reserves budget as such will be presented for the Council's approval only at the financial year-end when the precise balances are calculated, and at that point the Council will have the opportunity to review the levels of reserves held in accordance with the Council's Financial Regulations and make proposals for the creation of additional nominated reserves as part of the budgeting process.

Policy due for review: May 2021

APPENDIX: NOMINATED RESERVES FOR 2019-2020

Name of reserve	Purpose	How/when used	Management	Review
Car hire club	Ring-fenced operating 'float'	Ongoing operating fund	Monitored by scheme admin	Before each Localism meeting
Cycle hire scheme	No longer required			
'Tesco' grant	No longer required			
Playpark equipment	Play equipment replacement	Playpark renewal in ±2025	Monitored by Clerk/ A&S	Annually – to add incrementally
Highway match fund	Yellow line project contribution	Payment on completion	Not required	Not required
Election fund	Funding for 'ad hoc' by-elections	Payment on demand by WDC	Not required	Annually
Cemetery land purchase	Purchase of extra cemetery land	Payment on completion	Monitored by Clerk	Annually – to add incrementally
Community Centre renewal	CC refurbishment costs	As items fall due	Monitored by Clerk/ P&A	After each spend
VotG 'non-youth'	Equipment etc not assigned to youth budget	Revenue costs as required	Monitored by Clerk	After each spend
Website	To fund replacement website	Payment on completion	Monitored by Clerk	After each spend
Devolved services	Reserve against unfunded costs of devolved services	As items fall due	Monitored by Clerk	After each spend