

MARDEN PARISH COUNCIL RESERVES STRATEGY
AT YEAR END 31 MARCH 2020 FOR 2021-22 FINANCIAL YEAR

Adopted on

2021

Marden Parish Council (The Council) is required, under statute, to maintain adequate financial reserves in order to meet the needs of the organisation. Section 50 of the Local Government Finance Act 1992 requires that billing and precepting authorities in England and Wales have regard to the level of reserves needed to meet estimated future expenditure when calculating the budget requirement.

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

The Council will hold reserves for three main purposes:

1. A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of the general reserves;
2. A contingency to cushion the impact of unexpected events or emergencies, this also forms parts of general reserves;
3. A means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately but remain legally part of the general fund.

1. General Reserves

The level of general reserves is a matter of judgment and so this strategy does not attempt to prescribe an overall level. However, the current level of general reserves to be held by the Council will be at least three twelfths of the annual precept operating figure (e.g. £9,500 for year 2020-21).

The primary means of building general reserves will be through an allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves that have been consumed in the previous year. Setting the level of general reserves is one of several related decisions in the formulation of the medium-term financial strategy, business plan and the annual budget. The Council must build and maintain sufficient working balances to cover the key risks it faces, as expressed in assessment of financial risk.

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 designated 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 in general reserves at all times sufficient to pay three months salaries and expenses to staff (e.g. £3,000 in year 2021-22).

2. Designated Reserves

Designated 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.

Reserves will not be held to fund ongoing 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, designated reserves that have been used to meet a specific liability (or project) would not need to be replenished, having served the purpose for which they were originally established.

Reviewing the Council's assessment of financial risk 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 for the Council.

3. Financial Risk Management

In order to assess the adequacy of the general fund when setting the annual budget, the Responsible Financial Officer (RFO) will take account of the strategic, operational and financial risks facing the Council. The requirement of the level of the general fund balance for the forthcoming year will therefore be based upon assessment of financial risk to the Council's main areas of income and expenditure and take into account any provisions and contingencies that may be required.

The main items to be considered are:

Financial risk	Analysis of risk
Pay inflation is greater than budgeted	The cost of living increase is above the level allowed for in the estimates
Contractual inflation is greater than budgeted	Professional and other services costs increase above estimate
VAT payable	More than budgeted
Maintenance of roads	Adverse weather conditions lead to increase in potholes
Marden Recreation Ground Trust income is lower than budgeted/shortfall in income from fees and charges	That a decrease in revenue is realised from estimate and thus a grant applied for
Marden Village Trust income is lower than budgeted/shortfall in income from fees and charges	That a decrease in revenue is realised from estimate and thus a grant applied for
News & Views income is lower than budgeted/shortfall in income from fees and charges	That a decrease in revenue leads to more cost to the Council as not offset to budgeted level

4. Earmarked Reserves

Earmarked Reserves represent amounts that are generally built up over a period of time which are earmarked for specific items of expenditure to meet known or anticipated liabilities or projects. The 'setting aside' of funds to meet known future expenditure reduces the impact of meeting the full expenditure in one year. The Council, when establishing an earmarked reserve, will set out:

1. The reason / purpose of the reserve;
2. How and when the reserve can be used;
3. Procedures for the management and control of the reserve; a process and timescale for review of the reserve to ensure continuing relevance and adequacy.

The following earmarked reserves will be held by the Council for 2021-22:

Budget	Use	£'s
Grants		
Marden Recreation Ground Trust	Capital sinking fund – £1,000 Annually from 2020-21	1,000

Contingencies – General Reserve		
Elections	Covered by general reserve	
General Reserves	For emergencies	12,000
Projects – Designated Reserves		
New Community Facility	New build cost	41,329
Development of village green	New parish facility	15,000
Community Facility Fundraising	New facilities within parish	6,659
Noticeboards / signs	Replacement of boards	2,000

Summary of Reserves

General Reserve		At least 3/12 of operating cost Precept	£12,000
Designated Reserves		As above	£65,988

5. Review of the adequacy of balances and reserves

In assessing the adequacy of reserves, the strategic, operational and financial risks facing the Council will be taken into account. The level of earmarked reserves will be reviewed as part of the annual budget preparation.

Signed:

Date:

Chair, Marden Parish Council