Almeley Parish Council Reserves Policy

Adopted 5th May 2021

Background

Local authorities need to plan to hold a certain amount of funds in reserves for a variety of reasons. Often these will be earmarked for specific purposes to help the council save up each year towards the cost of capital projects, replacing equipment, in case of contested elections, etc. However, it is also good practice for a Council to hold general *unallocated* reserves for reasonable working capital, although the level of a Council's Reserves should be considered carefully.

The generally accepted recommendation with regard to the appropriate minimum level of a Local Council's Reserve (as opposed to its allocated reserves), is that this should be maintained at between three and twelve months Net Revenue Expenditure (NRE)

1.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 allocated Reserves[1]

2. The reason for the wide range (3 to 12 months) is to cater for the large variation in sizes of individual Councils. The smaller the Council, the closer the figure should be to 12 months Net Revenue Expenditure, the larger the Council, the nearer to 3 months. In practice, a Council with an NRE in excess of £200,000 should plan on 3 – 6 months equivalent unallocated reserve.[2]

Application to Almeley Parish Council

As Almeley Parish Council is a small Council with a small Precept, it should be aiming to maintain unallocated reserves closer to 12 months Net Revenue Expenditure.

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Almeley Parish Council and the Responsible Financial Officer will work together to prepare and agree well-thought out, accurate, and detailed Budgets and Precept proposals which take into account, amongst other things:[3]

- General running costs (including increases in National Pay Award for staff)
- Current and future activities (including the possibility of devolved services)
- Councillor and staff training and development
- Capital projects

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[1] As per guidance from NALC's Audit and Accounts Advisor Derek Kemp.
[2] As above.
[3] As above.

- Replacing and repairing equipment and assets
- Contingencies

Level of financial reserves

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

The aim will be to hold a unallocated Reserve Fund of not less than 50% of the net revenue expenditure. Where this reserve is depleted the Council will consider the appropriate period of time over which to replace it to that level.

Allocated Reserves:

The Election Fund.
To be built up between election years at 25% of the anticipated cost of a contested election per annum.

The IT Equipment Fund.
To be built up at £200 a year to allow for laptop replacement every three years if necessary.

The SID Fund.
To be built up at a rate of £100 a year to cover ongoing maintenance and replacement at the end of 10 years

The unallocated Reserve Fund.
Comprising surplus funds from previous years' precept.

The above levels of reserves were agreed and this document adopted by the Parish Council at the meeting on the 5th May 2021, to be reviewed again in a year's time.

Reviewed: October 2021; May 2022 and May 2023