

NOTES AND ACTIONS TO IMPLEMENT THE FINANCIAL RESERVES POLICY**Background Comments on the Document**

This document is based on the Model Document from SLCC ("MD-35 Reserves Policy - Wonderland Parish Council" written in 2016), as adapted for Batheaston Parish Council in September 2020, but not approved. As noted, copyright is retained by SLCC.

There are some background comments in the SLCC draft which I have removed, as I do not think they belong in the Policy itself. They are as follows:

(regarding General Reserves)

"The level of General Reserve is a matter of judgment and so this policy does not attempt to prescribe an overall level. 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 and the annual budget."

"The Council must build and maintain sufficient working balances to cover the key risks it faces. Even at times when extreme pressure is put on the council's finances the council must keep a minimum balance of General Reserves sufficient to pay 25% of total annual Administration Expenses, including staff salaries, at all times. If, in extreme circumstances, General Reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Council is able to draw down from its Specific Reserves to provide short-term resources."

(The general level of Reserves)

"Given the opportunity costs of holding Reserves, it is critical that Reserves continue to be reviewed each year as part of the budget process to confirm that they are still required and that the level is still appropriate."

"All Specific Reserves are to be recorded on a **central schedule** held by the RFO which lists the various Specific Reserves and the purpose for which they are held. Reserves should not be used to fund ongoing expenditure. To the extent that reserves are used to meet short term funding gaps, they should be replenished in the following year. However, Specific Reserves that have been used to meet a liability (or project) would not need to be replenished, having served the purpose for which they were originally established."

Implementation of the Policy

Establishing Specific Reserves: The Playground Project

Council will recall that a Specific Reserve for the Playground Project was approved in its November 2021 meeting. This was established at £14,000. This has not yet been actioned, and the costs of Phase 1 – a net contribution by the Council of ca. £4,600 (report to BPC June 2022) – were taken from the Current Account.

At its August 2022 Meeting Council approved a budget of £500 to engage in public participation for the Second Phase of the Playground Project (specifically the “Park Party Event” 1st October 2022). Of this allocation, spend to-date has been £19.55.

A grant of £30,000 for the project from Enovert was secured in February 2021. As a condition of this grant, the Council made a payment of £3,000 to Enovert, to cover the shortfall in tax that can be reclaimed by the lender. (See https://www.entrust.org.uk/assets/uploads/documents/EB_Guidance_Manual_Consolidated_December_2021.pdf)

The expenditure to-date on the Playground is therefore:

Enovert contribution	£3,000.00
Phase 1 Net Cost	£4,603.08
Phase 2 Engagement Activity	£19.55
<u>Total:</u>	<u>£7,622.63</u>

Proposal 1: set up a reserve for the Playground Project with the remainder of the £14,000 allocation: £6,377.37

Setting the Level of the General Reserve

The SLCC Model Document gives a fictitious example of a Council which sets its reserve at one quarter of the Annual Precept (note not total income, nor expenditure). Noting that this document was written in 2016 – before the shocks of Brexit, Covid and the Ukraine War – Council may take the view that this is inadequate. Our neighbour, Bathford Parish Council, aim to carry a full year’s Precept.

Proposal 2: the target general reserve should be a *Half of the Annual Precept*.

The Council’s Precept for the current year is £55,400, so if Council accepts this Proposal the target reserve is currently £27,700.

The total of our financial reserves fluctuate during the year; the receipt of the Precept in two 50% amounts on 1st April and 1st October being the most significant movements. The low point of our reserves are immediately before these receipts. The current expectation that the figure at 30th September will be (approx.): £21,455 in the Current Account and £12,250 in the Instant Access Saving Account; a total of £33,705.

Deducting the funds to set up the Playground Reserve, as above, will reduce this to £27,330.

Allowing for a minimum of £2,500 to be retained in the current account,

Proposal 3: funds are transferred from the Current Account to the Saver Account, to bring this latter to £24,830, to serve as the Council's General Reserve.

Council should note that this is £2,870 less than the target reserve of 6 month's Precept.

Future Actions to maintain the Policy

1. As noted above, the SLCC Model Document recommends that "All Specific Reserves are to be recorded on a central schedule". This will be set up and made publicly available on the Council's Website.
2. The Clerk will inform Council of any requirement to transfer funds from the General Reserve to cover day-to-day expenditure at the earliest opportunity.
3. The Clerk will include the review of the level of reserve and the necessary transfers of funds in preparation for the budget for future years.

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