

Thornbury Group Parish Council Reserves Policy

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 *revenue* reserves for reasonable working capital, although the level of a Council's Reserves should be considered carefully.

The generally accepted recommendation regarding the appropriate minimum level of a Local Council's Reserve (as opposed to its Earmarked 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 Earmarked Reserves¹
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 General Reserve.²

Application to Thornbury Group Parish Council

As Thornbury Group Parish Council is a small Council with a small Precept, it should be aiming to maintain General Reserves closer to 12 months Net Revenue Expenditure.

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Thornbury Group 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

¹As per guidance from NALC's Audit and Accounts Advisor Derek Kemp.

²As above.

³As above.

- Capital projects
- 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 Reserve Fund of not less than 50% of the net revenue expenditure. Where this reserve is depleted, the Council will consider the appropriate period over which to replace it to that level.

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 £100 a year to allow for laptop replacement every five years if necessary.

The General Revenue Reserve Fund

Comprising surplus funds from previous years' precept.