

MODBURY PARISH COUNCIL

Reserves Policy

Adopted by Modbury Parish Council 4th May 2021

Updated May 2022

Due for review May 2023

1. Introduction

Modbury 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.

Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities 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 to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use.

2. Types of Reserves

2.1 Ring-fenced reserves

These hold money received from grants and through legal agreements to be used for a specific purpose.

Additional ring-fenced reserves may be set up from time to time to meet known or predicted liabilities. These must be approved by full council.

2.2 General reserves

These are built up over the years and hold money:

- specifically built into the budget and included in the annual precept demand
- surplus to the budgeted predicted spend at year end of the previous year (Carry-over)

These funds do not have any restrictions as to their use and can be used to smooth the impact of uneven cash flows, offset the budget requirement if necessary, or held in case of unexpected events or emergencies.

If in extreme circumstances General Reserves are exhausted due to major unforeseen spending pressures within a particular financial year, the Council will draw down from its ring-fenced 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 sufficient to pay one month's salaries to staff in General Reserves at all times.

Reserves are not held to fund on-going expenditure. This would be unsustainable as, at some point, the reserves would be exhausted. If reserves are used to meet short term funding gaps, they will be replenished in the following year. However, ring-fenced reserves that have been used to meet a

specific liability, would not need to be replenished, having served the purpose for which they were originally established.

The reserves are reviewed each year as part of the budget process to confirm that they are still required, that the level is still appropriate and to inform the precept demand.

3. End of 2021-2022 level of financial reserves

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

C/F from 2021-2022

£100,585

Ring-fenced Reserves

a4 Business Rates Support Grant	£ 9,053.00
y3 Champernowne Play Park Maintenance (Ringfenced)	£ 5,000.00
w7 Contingency	£ 2,500.00
z3 Dementia awareness (Ringfenced)	£ 1,524.20
a3 Elections	£ 1,900.00
w5 Marigolds Day (Ringfenced)	£ 672.32
y4 MH Play Area	£ 8,159.85
f2 Millennium Meadow (Ringfenced)	£18,977.37
f3 MODWAG	£ 261.15
h1 Neighbourhood Plan (Ringfenced)	£ 5,468.37
h2 NPG Groundwork Locality Grant (Ringfenced)	£ 771.80
w8 Parking	-£ 621.49
f1 P3 - Parish Paths (Ringfenced)	£ 233.72
	£53,900.29

General Reserves

£46,685

4. Reserves 2022 - 2023

It was agreed during the budget setting process that the following amounts will be added to the ring-fenced reserves for the year 2022-2023:

Contingency	+ £2,345
Elections	+ £1,900
Neighbourhood Plan	+ £500

A new ring-fenced reserve of £1,401.68 is also now held for Town Improvement