Stretton Grandison Group Parish Council Reserves Policy

Adopted 10th May 2021 and Reviewed 9th May 2022; 15th May 2023; 13th May 2024; 7th May 2025 and 18th May 2026

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 with regard to 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 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 General Reserve.[2]

Application to Stretton Grandison Group Parish Council

As Stretton Grandison 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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Stretton Grandison 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

[1]As per guidance from NALC's Audit and Accounts Advisor Derek Kemp.
[2]As above.
[3]As 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 of time over which to replace it to that level.

The Election Fund.
To be built up between election years at a rate of £500 per year up to £5000.

The IT Equipment and Software Fund.
To be built up at £100 a year to allow for laptop replacement every six years if necessary.

The Website Fund.
To be built up by £100 per year to cover ongoing maintenance and replacement up to a maximum of £3000.

The Highways Fund
To be built up each year from unspent highway funds to a maximum of £15000 to assist with traffic calming projects throughout the parishes

The NDP Fund
To be built up at a rate of £1500 a year up to a total of £10,000 to cover the costs of re-doing the NDP when needed.

The General Revenue 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 10th May 2021 and reviewed every May thereafter as well as when the precept and budget are discussed.