Ethel Wood Community Centre, 129 Coast Road, Pevensey Bay,
East Sussex, BN24 6NS,
Tel: 01323 743 900 / 07849 124319
Email: clerk@pevenseyparishcouncil.gov.uk

Reserves Policy

Introduction

Pevensey Parish Council (PPC) is required to maintain adequate financial reserves to meet the needs of the parish council.
The purpose of this policy is to set out how the parish 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 to meet estimated future expenditure when calculating the budget requirement. However, there is no specific minimum level of reserves that an authority should hold, and it is the responsibility of the Responsible Financial Officer to advise the parish council about the level of reserves to ensure that there are procedures for their establishment and use.

Types of Reserves:

Reserves may be categorised as general or specific often referred to earmarked reserves (EMR).

General Reserves:

General reserves are funds which do not have any restrictions as to their use. These reserves cushion the impact of uneven cash flows, offset budget requirements, if necessary, or can be held in case of unexpected events or emergencies. Setting the level of general reserves is agreed with the annual budget.
Joint Panel on Accountability and Governance Practitioners'(JPAG)(March 2023 edition) advises: 'The generally accepted recommendation with regard to the appropriate minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three (3) and twelve (12) months Net Revenue Expenditure (NRE) The smaller the authority, the closer the figure should be to 12 months NRE, the larger the authority the nearer to 3 months. In practice, any authority with an NRE in excess of £200,000 should plan towards 3 months equivalent General Reserve.'

The primary means of building general reserves will be through the reallocation of funds (underspends on a completed project) and allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves which have been spent in the previous year. Any surplus on the general reserve at the end of the year may be used to fund capital expenditure, be appropriate to EMR, or used to limit any increase in the precept. If in extreme circumstances, general reserves are exhausted due to major unforeseen spending pressures within a particular financial year, the parish council would be able to draw down from its EMRs to provide short term resources.

Earmarked Reserves (EMR)

EMR are amounts generally built up over a period. These are earmarked for specific items of expenditure to meet known or predicted liabilities or projects and shall only be used for the purpose for which they were created. This enables funds to meet future expenditure and reduces the impact of meeting full expenditure in one year.

Purposes of the reserves include:

- Renewals – to enable services to plan and finance an effective program of equipment replacement and planned property maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement program can be achieved without the need to vary budgets.
- Carry forward of underspend – expenditure committed to a project but not spent in the budget year. Reserves can be used as a mechanism to carry forward these resources.
- Developers' contributions (Sec 106 & CIL) – proceeds from developers which can only be used for specific purposes.
- Other EMR– these may be set up from time to time to meet known or predicted liabilities.

Any decision to set up an earmarked reserve must be made by the parish council, and these are to be reviewed annually when the budget is agreed.
Where the purpose of an EMR becomes obsolete, or where there is an over-provision of funds, the excess may, on the approval of the parish council, be transferred to other budget headings within the revenue budget or to general reserves or to one or more other EMR.

Management and Control of Reserves:

Movements in EMR and general reserves shall be reported to the parish council as part of the quarterly report and at monthly meetings if required. The use of reserves shall be approved by the parish council. The level of general reserves shall be reviewed on an annual basis during the annual budgetary review and agreed by the parish council. The minimum level of general reserves shall be recommended to the parish council by the Responsible Financial Officer (RFO). This will form part of the recommendations for the annual budget and precept request by the parish council.
EMR shall be reviewed on an individual basis. This review will also be undertaken as part of the annual budgetary review. Recommendations on creation, amendment, cessation, or continuation of EMR will be given by the RFO to the parish council by way of a report forming part of the recommendations for the annual budget and precept request by the parish council.
Approval for the creation, amendment, cessation, or continuation of EMR will be given by the parish council.

Current level of Financial Reserves

Current level of EMR (At 27.11.24) The current total level of reserves is shown in the table below.

Code	Account	Balance	Reason
330	Playground	£908.00	Purchase of New Play Equipment
360	Elections	£3,000	Contingency to prepare for the election every 4 years
370	Capital Project	£25,264.35.	Contingency for repairs and maintenance to Council Assets
380	EWCC Funds	£15,220.61	Contingency for repairs and maintenance to EWCC building held on behalf of the EWCC Management Committee.
390	Dog Show Funds Received	£126.72	Funds raised from Event.
420	Street Light conversion	£38,500.00	Contingency to convert Street Lights to LED. A large amount of this will be used to pay for the 49 street light conversion which took place this year.
430	EMR Pavilion Project	£9,995.17	Contingency funds to helps towards the refurbishment of the pavilion.
Total Earmark Reserves £93,014.85			

Balance held 27.11.24	
Earmark Reserves	£93,014.85
General Reserves	£135,880.15
Total	**£228,895.00**

The council's budgeted net revenue expenditure for 2024/25 was £171,976.

The current level of general reserves held by the council is between 9 – 10 months.

Adopted by 05.12.23 Review Annual in January