

# Coddenham Parish Council's Reserves Policy

## Introduction

The Joint Panel on Accountability and Governance Practitioners Guide (JPAG), published by the National Association of Local Councils (NALC) sets out guidelines for local authorities, including parish councils for the establishment and treatment of reserves. <https://www.nalc.gov.uk/library/our-work/jpag/3859-practitioners-guide-2023/file>.

## Financial Risk Management

All local authorities are expected to manage risk, both operational and financial – Accountancy & Governance Assertion 5 (AG5). Risks are unavoidable. They need to be managed either by mitigation or controls such that they can be tolerated, treated, transferred or terminated. All risks should be assessed in terms of their likelihood or occurrence and impact.

Having proper reserves in place is a key mitigant for the risk held on Coddenham Parish Council's Risk Management Register of "Inadequate forward planning and budgetary controls".

## General Reserves

Sections 5.32 to 5.36 of JPAG set out the guidelines for the General Reserves of smaller authorities.

A General Reserve is held by an authority to mitigate fluctuations in its cash flow and to provide a contingency fund against inflation and expenditure unexpected when the budget was set and for unusual circumstances.

JPAG states that the generally accepted recommendation regarding the appropriate minimum level of a smaller authority's general reserve is that it should be maintained at between 3 and 12 months' net revenue expenditure (NRE). In effect the council's precept is its NRE. The reason for the range is to cater for the variation in the sizes of individual authorities. The smaller the authority, the closer the figure should be to twelve months NRE, the larger the authority the closer to 3 months. Any authority with an NRE over £200k should ordinarily plan to 3 months.

Coddenham Parish Council will maintain a General Reserve of no less than 50% and no more than 80%, given that its precept is c. £34k (FY24/25).

## Earmarked Reserves

Local authorities are expected to set aside Earmarked Reserves (EMR) for specific areas of expenditure to meet known or anticipated liabilities or projects and are generally built up over a period.

Whilst there is no recommendation as to the limit of EMR, JPAG 5.38 states that they must be held for genuine and identifiable purposes and projects, and their level should be subject to regular review and justification (at least annually and at budget setting) and should be separately identified and enumerated. It goes on to state that "significant levels of EMR may give rise from internal and external auditors".

Coddenham Parish Council considers what EMR should be set/reset as per JPAG, when reviewing its Risk Management Register (usually Spring annually) and when setting its budget for the next financial year (usually November to January annually).

In line with JPAG section 5.31, Coddenham Parish Council publishes both the rationale and level of its reserves in line with transparency good practice. Details may be found at <https://www.coddenhampc.org.uk/parish-council/finance/>

The EMR includes the separate identification of all unspent/uncommitted Community Infrastructure Levy (CIL) funds, per section 5.151 of the JPAG.

# Coddenham's Reserves for fiscal year 2024/2025.

## General Reserve

As at 31<sup>st</sup> March 2024, Coddenham Parish Council held a General Reserve of **£ 17,337.70**, representing 50.7% of the precept for the council's fiscal year 24/25.

## Earmarked Reserves

As at 31<sup>st</sup> March 2024, Coddenham Parish Council had earmarked (EMR) reserves totalling: **£17,909.02** made up as follows:

EMR	Reason for EMR	Amount (at 31-Mar-24)
Allotments	Residual accumulated fees from allotment holders to be used for the upkeep of the allotments.	(£21.80)
CIL	Residual Community Infrastructure Levy monies. These are 'ring-fenced', cannot be rolled into 'General Reserves' if unspent and are to be returned to Mid-Suffolk District Council after 5 years if not used for a prescribed reason.	£254.54 <sup>i</sup>
Election costs	Funds to meet the cost of parish council elections that are held every four years, with the next due in May 2027.	£438.25
Green Spaces	Planned and unforeseen (e.g. storm damage) tree works, potential church wall repairs and maintenance of council owned land.	£5,900.00 <sup>ii</sup>
PWLB Loan	Council services two loans which were taken out to develop what is now The Coddenham Centre, when it was owned by the council. These are due to be repaid in 2028 and 2030 respectively, with annual repayments of £13,152 in total. This EMR is held to meet repayments in a given year and/or to mean that the council can clear both loans in 2028.	£7,017.75
Street Lighting	Held to meet the cost of the project to switch lighting to LED, which is due for imminent completion. Any surplus will be moved to the general reserve.	£3,329.28 <sup>iii</sup>
Training	To meet the training costs of new councillors. The council currently has five casual vacancies.	£1,000.00

<sup>i</sup> This is earmarked towards the cost of replacement benches at the Recreation Ground.

<sup>ii</sup> £1,900 is earmarked to part meet the cost of .....

<sup>iii</sup> This was utilised in April 2024 to meet the cost of the switch of street lighting to LED.