HATFIELD BROAD OAK PARISH COUNCIL

Adopted: 14.01.2025
Next Review Date: December 2025

Reserves Policy

Hatfield Broad Oak Parish Council is required to maintain adequate Financial Reserves to meet the needs of the Parish Council. 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. There is no specific minimum level of reserves that an authority should hold, however, the advice from the External Auditors is that the level of reserves should not exceed 200 % of the precept without explanation. The Good Councillors Guide recommends that between 3 months and 12 months expenditure is held in General Reserve with all other reserves being earmarked for specific projects. This is to ensure sufficient reserves of meet essential expenses.

1. Types of Reserves:

Reserves may be categorised as General or Specific.

2. 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. The council considers that its general reserve should be equal to a minimum of 3 months precepted income.

The general reserve at February 2025 will be £17,213 (3 months). Other contingencies may be factored into specific project costings at the budgeting stage.

3. Earmarked Reserves:

At present, the Parish Council will not hold any **Earmarked Reserves**. This decision comes as a result of the need to draw on these reserves to supplement the revised budget for 2024/25. Due to over-expenditure and inaccurately budgeted figures in the following areas, reserves were used to cover these deficits:

- **100/1 Salary**: £3,000
- **100/3 Pension**: £2,876
- **150/1 Travel Expenses**: £500
- **150/3 Professional Services**: £108
- **1000/9 VG Repairs and Maintenance**: £8,800
- **1000/11 VG Sports and Storage**: £681

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- **1000/12 Tree Works**: £10,800
- **1000/15 VG Dunmow Road Entrance**: £17,500
- **1000/16 VG Miscellaneous**: £3,840

The total reserve movement from earmarked funds to the main budget is **£56,390**.

4. Explanation of Reserve Movements

The following points outline the circumstances that led to the need for reserves to cover over-expenditure in 2024/25:

- **Salary and Pension Budgeting**: The Parish Council had not accurately budgeted for backpay and the new pay rise as awarded by the National Association for Local Councils for staff, resulting in an unanticipated increase in salary and pension costs for the 24/25 financial year. Additionally, the overtime incurred due to additional meetings, public freedom of information requests and correspondence has had an impact on the overall salary figure that was initially budgeted for.
- **Employer and Employee Pension Contributions**: The budget for both employer and employee pension contributions was not accurately calculated due to unplanned overtime incurred as well as the pay rise.
- **Additional Meetings**: The number of Parish Council meetings increased from one meeting per month to three, leading to additional costs that were not fully accounted for in the original budget leading to additional travel expenses for staff.
- **Solicitors for VG Proposed Sublease**: Legal costs for the proposed sublease for the Village Green (VG) were significantly higher than anticipated.
- **VG Fence Replacement**: Two large sections of the fencing that keeps the cows in the adjacent field have been or will be replaced. This was necessary maintenance work to undertake. The total cost of the VG fence replacement was £9,716, with £6,278.40 remaining to be paid from the reserves.
- **Container Payment**: The Parish Council was responsible for paying £681 of the container cost, with 75% of the cost covered by a grant from the Football Foundation.
- **Tree Works**: The full costs of tree works were not fully accounted for in the budget. Upon the tree survey being carried out, significant work was needed on large trees around the Village Green and specifically the copse. As a result this requires additional funds from the reserves to cover the £12,936(inc. VAT) tree works cost.

- **Miscellaneous**: It was unexpected to have travellers show up on the Village Green earlier this year. In order to remove the travellers, an eviction company was hired, however this resulted in an unexpected expenditure of £3840.
- **VG Dunmow Road Entrance**: No budget was allocated to the VG Dunmow Road Entrance as it was expected to be covered by the ear-marked reserves from the previous year worth £15,000. This was spent on the completion of 75% of the entrance in the middle of 2024. Due to the travellers that appeared on the Village Green, the council resolved to purchase a Vehicle Height Barrier of which 50% has been paid. The 50% remainder of the Vehicle Height Barrier and 25% remainder for the Vehicle Entrance are to be paid upon completion of the remainder of the works.

5. Future Management of Reserves

Moving forward, the Parish Council will carefully review its budgeting practices to avoid similar shortfalls in the future. The following actions will be taken to manage reserves effectively:

- **Regular Budget Reviews**: Regular reviews of budget forecasts will be conducted to ensure that all expenses are accurately predicted and appropriately allocated. Any significant variance will be addressed promptly.
- **Earmarked Reserves**: Once the current financial situation is stabilised, the Parish Council will work to re-establish earmarked reserves. This will allow the Council to rebuild reserves for specific future projects, ensuring that funds are available when needed and that projects can proceed without financial constraints.
- **Clear Budgeting for Salaries and Pensions**: More accurate and detailed calculations will be made for salary and pension budgets, including anticipated pay rises and adjustments to avoid underfunding in these areas.
- **Financial Prudence**: The Parish Council will maintain financial prudence to ensure that it operates within its means, prioritising essential projects and controlling discretionary spending where possible.

6. Conclusion

The reserves policy reflects the current financial realities of the Parish Council and the need for prudent financial management. The decision to use reserves to cover budgetary

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shortfalls in 2024/25 has allowed the Council to meet its commitments but also highlights the importance of accurate budgeting and ongoing financial oversight.

The Council will continue to monitor its financial position and update this reserves policy as necessary to reflect changing circumstances and to ensure that it remains financially stable in the future.