

Bingham Town Council General Reserve Policy 2022-2023

This is a report on setting a General Reserve Policy for the Council Year 2022-2023 in line with proper practices.

Background

The Joint Panel on Accountability and Governance (JPAG) is responsible for issuing proper practices about the governance and accounts of smaller authorities.
(<https://www.nalc.gov.uk/jpag>)

Bingham Town Council's adopted Standing Orders require accounts and accounting statements to be prepared/managed in accordance with the proper practices. The proper practices are defined in the most recent version of "Governance and Accountability for Local Councils – a Practitioners' Guide" (Standing Orders 17.a)

The JPAG Practitioners' Guide 2021 contains no changes to the guidance
(<https://www.nalc.gov.uk/library/our-work/jpag/3479-practitioners-guide-2021>)

The JPAG Practitioners' Guide 2020 included a new section at 1.13 on reserves policy and review. (<https://www.nalc.gov.uk/library/our-work/jpag/3224-practitioners-guide-changes-for-2020/file>)

The new section now states;

"1.13 Reserves — The authority needs to have regard to the need to put in place a General Reserve Policy and have reviewed the level and purpose of all Earmarked Reserves. Supporting information on financial management and preparation of accounting statements can be found in Section 5."

The supporting information in Section 5 explains that it is essential that authorities have sufficient Reserves (General and Earmarked) to finance both its day-to-day operations and future plans and that it is important that such reserves are not excessive. (JPAG Practitioners' Guide 2021 5.31)

The guide recommends an appropriate minimum level of General Reserve is an amount equal to 3 months Net Revenue Expenditure. A Council's Net Revenue Expenditure is the Council's precept minus loan repayments and transfers to reserves. A Council is to adopt a General Reserve policy appropriate to the Council's size and situation and plan the Council's budget so as to ensure that the adopted level is maintained. (JPAG Practitioners' Guide 2021 5.32)

The guide recommends that there is no upper or lower limit to Earmarked or Other Reserves so long as they are held for genuine and intended purposes and their level is subject to regular review and justification at least annually. (JPAG Practitioners' Guide 2021 5.33)

Bingham Town Council General Reserves 2022-2023

Bingham Town Council resolved on January 18th, 2022, to set a precept for the 2022-2023 financial year. The precept request includes an amount to be contributed to reserves. The Council's Net Revenue Expenditure (precept minus loan repayments and transfers to reserves) is £308,884 for the 12 month period.

A General Reserve policy of maintaining a minimum level of General Reserve of an amount equal to 3 months Net Revenue Expenditure (a quarter of the 12 month amount) would require the Council budgets to ensure the General Reserve is greater than £77,221.

Recommendation

- In reviewing the reserves in the financial year 2022-2023, Bingham Town Council implements the proper practices for General Reserve Policy.
- The Council adopt a General Reserve Policy of each year maintaining a minimum level of General Reserve greater than 3 months Net Revenue Expenditure.
- The Bingham Town Council General Reserve Policy for the financial year 2022-2023 is to maintain a minimum level of General Reserve greater than £77,221
- The Bingham Town Council General Reserve Policy is recorded on the Council's 3 year reserves plan and reviewed annually.