

Response to the External Auditor's recommendation 2024/25

External Auditor's recommendation (BDO LLP) received 10th September 2025	The Council's response and remedy
In the AGAR section 3, the external auditor noted the following: "The smaller authority should give consideration to their level of reserves as, after accounting for earmarked reserves, general reserves are low. The Practitioners Guide notes that the generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserves is that this should be maintained at between three and twelve months of net revenue expenditure, dependent on the size and activity level between councils. The smaller authority's general reserves represent less than three months expenditure"	There were lower general reserves at the end of FY 2024/25 than advised by JPAG for the following reasons: 1) Reserves had been depleted due to unexpected expenditure in 2022/23 and 2023/24, particularly with regard to expenditure on removal of several trees due to Ash Dieback. The precept for 2024/25 was increased to cover this (and a few other things such as inflation and a pay rise), but the increase of 14.3% was considered high and Council did not want to increase it any more than that. They had also had an above inflation increase the previous year. 2) The Council had some expenditure in 2023/24 related to the building project to extend the sports pavilion to create a parish office which had to come out of accumulated general reserves. The building work was covered by CIL, S106 and Neighbourhood CIL funds, but those funds did not cover things like architecture fees, building control fees, planning application fees, and rental of storage containers. It had been originally hoped to cover these things with CIL / S106 but the Council was not able to do so, and the costs of these things came out of reserves. Some of this expenditure only became apparent or exceeded expectations after the budget and precept for 2024/25 had been set, so there was insufficient replenishment built into the 2024/25 budget. 3) The building project significantly overran, finishing in spring 2025 instead of spring 2024 so expenditure on temporary container storage was greater than expected in 2024/25. 4) A locum was needed for a month in April 2024 following resignation of the previous clerk and there was also additional

	unbudgeted costs of training for the new Clerk and advertising fees for recruitment. 5) There was outstanding VAT to claim in March 2025, which was high because of the building project. 6) The new Clerk (started April 2024) was paid the LGPS pension, with an employer contribution of 21.4%. The previous Clerk had opted out of the pension. This was not anticipated in the budget for 2024/25, done the previous November, and so there was no provision in the 2024/25 budget for pension payments, and it came out of general reserves. The Council has acknowledged that certain unexpected expenditure has depleted reserves. Reserves are there as a cushion against such unexpected expenditure and need to be replenished. The Council has increased its precept request by 29% for 2025/26 in part to increase general reserves. The increase is also due to an increase in Clerk's hours, employer pension contributions, above- inflation increase in costs of contractors, and an increase in employer national insurance contributions. Because of the other expenditure increases needed, the Council has agreed that it needs to increase reserves over at least 2-3 years. It will increase reserves again in the 2026/27 budget and precept request. It should also be noted that the Council has as healthy level of earmarked reserves that are intended to cover most unexpected repairs to its infrastructure and amenities. It also has earmarked reserves for legal costs and election costs which could otherwise be left in general reserves, changing the apparent level of general reserves. It has a large amount of Neighbourhood CIL that could also be used to cover much unexpected maintenance to infrastructure such as the village green, playground, allotments etc. Thus, the general reserves for Medstead Parish Council are needed to cover a narrower range of eventualities than a Council that does not have such other buffers. The Council plans to help increase general
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	reserves by using Neighbourhood CIL for expenditure where allowed over the next year. Over the current year and following two years, the Council is aiming to increase its reserves to 6 months of expenditure.
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