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# WINKLEIGH PARISH COUNCIL RESERVES POLICY

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Effective 24<sup>th</sup> May 2018



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This procedure is a document that sets out Winkleigh Parish Councils approved and agreed practices. Any deviation must be by resolution of the full Council.

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2	2 and 5	Amendment of current reserves	23/05/2017

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## RESERVES POLICY

### 1. Introduction

The Council is required, under statute, to maintain adequate financial reserves in order to meet the needs of the organisation. **Section 50 of the Local Government Finance Act 1992** requires that billing and precepting authorities in England and Wales have regard to the level of reserves needed to meet estimated future expenditure when calculating the budget requirement.

The Council's policy on the establishment, maintenance and adequacy of reserves and balances will be considered annually.

The Council will hold reserves for these three main purposes:

- i. A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of the general reserves;
- ii. A contingency to cushion the impact of unexpected events or emergencies – this also forms parts of general reserves;
- iii. A means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately but remain legally part of the general fund.

### 2. General Fund balance

The general fund balance, commonly termed the 'working balance', is a balance on the council's revenue account which is not held for any specific purpose other than to cushion the council's finances against any unexpected short-term problems in the councils cash flow.

The general fund balance is to be maintained at a level based upon a risk assessment carried out annually by the Responsible Finance Officer (RFO) when setting the budget for the forthcoming year. Any surplus on the reserve above the required balance may be used to fund capital expenditure, be appropriated to earmarked reserves or used to limit any increase in the precept.

The following general reserves are held by Winkleigh Parish Council 1<sup>st</sup> April 2018:

Budget	Use	Cap on EMR £'s
Council contingency	based on 3 months 2018 precept	7064.51

### 3. Financial Risk Management

In order to assess the adequacy of the general fund when setting the annual budget, the RFO will take account of the strategic, operational and financial risks facing the council. The requirement of the level of the general fund balance for the forthcoming year will therefore be based upon a risk assessment of the council's main areas of income and expenditure and take into account any provisions and contingencies that may be required.

The main items to be considered are:

<i>Financial risk</i>	<i>Analysis of risk</i>
Pay inflation is greater than budgeted	The cost of living increase is above the level allowed for in the estimates
Contractual inflation is greater than budgeted	A general assumption is made when estimating the percentage increase on rates and utilities. This may increase above budgeted inflation. Professional and other services costs increase above estimate.
Cemetery management income is lower than budgeted for	That a decrease in revenue is realised from estimate
Rental income for Cemetery Bungalow is lower than budgeted for	That a decrease in revenue is realised from estimate
Contingent liabilities are realised	That the council becomes liable to pay contingent liabilities

### 4. Statutory Reserves

Local Authorities also hold reserves that arise out of the interaction of legislation and proper accounting practices. At Winkleigh Parish Council this is currently NIL

### 5. Earmarked Reserves

Earmarked Reserves represents amounts that are generally built up over a period of time which are earmarked for specific items of expenditure to meet known or anticipated liabilities or projects. The 'setting aside' of funds to meet known future expenditure reduces the impact of meeting the full expenditure in one year. The Council, when establishing an earmarked reserve, will set out:

- i. The reason / purpose of the reserve;
- ii. How and when the reserve can be used;
- iii. Procedures for the management and control of the reserve; a process and timescale for review of the reserve to ensure continuing relevance and adequacy.

The following earmarked reserves will be held by Winkleigh Parish Council:

<b>Budget</b>	<b>Use</b>	<b>Cap on EMR £'s</b>
Cemetery Bungalow	Emergencies, future maintenance accrual	5,776.79
Neighbourhood Plan	Implementation of Neighbourhood Plan projects	1970.17
Bus Shelter Exeter Road	Long term accrual for replacement	1,500.00.
Election Accrual	Long term accrual for 2019 elections	1,000.00
TAP Fund project 2015-16	Additional print copies of booklet	140.00
Shute Lane Project	Phase II works	369.12
P3 Pathways Partnership	Footpath maintenance	464.02

## 6. Review of the adequacy of balances and reserves

In accessing the adequacy of reserves the strategic, operational and financial risks facing the authority will be taken into account. The level of earmarked reserves will be reviewed as part of the annual budget preparation.