

Woodmansey Parish Council

(Financial) Reserves Policy

Purpose

Woodmansey Parish Council is required to maintain adequate financial reserves to meet the needs of the Parish. The purpose of this policy is to set out how the Council will determine and review the level of reserves.

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. The Governance and Accountability for Smaller Authorities in England. A Practitioners Guide March 2017 section 5.9 advises this should be considered as part of the budgeting process. However, there is no specified minimum level of reserves that an authority should hold, and it is the responsibility of the Responsible Financial Officer to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use.

Types of reserves

Woodmansey Parish Council has one reserve account (November 2020) and as of (February 2021) there is no specific criteria, earmarking or restrictions as to the use of the reserve, but is established to meet unknown, emergency, or unpredicted liabilities. The reserve can be used to smooth the impact of uneven cash flows, offset the budget requirement if necessary or can be held in case of unexpected events or emergencies, including:

- Renewals – to plan and finance an effective programme of new facilities and services, replacement and planned property and land maintenance. The reserve is a mechanism to smooth expenditure so that a sensible programme can be achieved without the need to vary budgets.
- Carry forward of underspend – where some expenditure to projects cannot be spend in the budget year. Reserves are used as a mechanism to carry forward these resources.
- Insurance reserve – to enable the Council to meet the excesses of claims not covered by insurance.

Balancing the reserve

Expenditure or transfer from the reserve can only be authorised by the Parish Council resolution in accordance with established procedure.

It is an accepted principle that reserves should not be held to fund ongoing expenditure. This would be unsustainable as, at some point, the reserves would be exhausted. To the extent that reserves are used to meet short term funding gaps, they must be replenished in the following year.

It is expected that any expenditure from the reserve will be reimbursed the following financial year by means of the precept. However, should Cllrs agree to 'earmarking' amounts to meet a specific liability, this would not normally need to be replenished, having served the purpose for which they were originally established.

Reporting and Monitoring of Reserves

All reserves are recorded on the monthly Financial Report presented by the Parish Clerk to the Parish Council which lists the reserve balance and any differences from the previous report – it is anticipated any changes will only be in connection with bank charges or interest payments except where agreed by Cllr resolution.

Earmarked reserves

Although the Parish Council does currently have 'Earmarked reserves' however it may be required to establish these in the future on a "needs" basis, in line with anticipated requirements. Any decision to set up an earmarked reserve must be duly resolved by the Parish Council in accordance with established protocol.

Levels of Reserve

Reviewing the Council's Financial Risk Assessment is part of the budgeting and year end accounting procedures and identifies planned and unplanned expenditure items and thereby indicates an appropriate level of Reserves.

The level of general reserves is a matter of judgement and so this policy does not attempt to prescribe a blanket level and where a reserve has been depleted during a given year, this amount must be factored into the consideration of the following years precept to replenish reserves that have been consumed in the previous year.

Setting the level of general reserves is one of several related decisions in the formulation of the medium-term financial strategy, project spending and the precept demand. The Council must build and maintain sufficient working balances to cover the key risks it faces, as expressed in the discussions for the annual precept and subsequent budget. The level of financial reserves held by the council will be agreed by the council during the discussions held regarding the setting of the precept / budget for the next financial year and year end accounting procedures.

Date of Revision: February 2021