

WINKLEIGH PARISH COUNCIL

RESERVES & FINANCIAL RISK ASSESSMENT POLICY

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 (both general and earmarked) to finance both its day to day operations and future plans. **Section 49A 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. Given that the Council's funds are generated from taxation, such reserves should not be excessive, and the appropriate minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three- and twelve-months Net Revenue Expenditure. There is no upper limit on the amount of Earmarked reserves the Council can hold.

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 council's 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 7th December 2020:

Budget 2020/21	Use	
Council contingency	based on 3 months 2020 precept (£7159)	£7171.58 Rising to £8741.68 by 31 st March 2021

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:

Financial risk	Analysis of risk	Risk Level	Management of Risk
Pay inflation is greater than budgeted	The cost of living increase is above the level allowed for in the estimates	Low	The RFO budgets a contingency into the staff costs budget and monitors inflation rates and anticipated cost of living increases
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.	Low	The RFO budgets a contingency into the running costs/administration budget and monitors inflation rates and anticipated cost of living increases
Cemetery management income is lower than budgeted for	That a decrease in revenue is realised from estimate	Medium	The budgeted income for the cemetery is deliberately kept low, allowing for approximately 3 interments per year. Council general reserves will be used to offset any loss of income and replaced the following year
Rental income for Cemetery Bungalow is lower than budgeted for	That a decrease in revenue is realised from estimate due to loss of tenants, property uninhabitable or other unbudgeted reason	Medium	The loss of rental income can be covered by one year from bungalow reserves but will need to be replaced if the council decide to continue to rent out the bungalow in the future
Contingent liabilities are realised	That the council becomes liable to pay contingent liabilities	Low	The council have the required public and employee liability insurances and fidelity guarantee and have extensive policies in place to guide councillors and staff

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 as of 31st March 2021

Budget	Use	Cap on EMR £'s
Cemetery Bungalow	Emergencies, accrual for replacement roof and boiler	6,800.00
Neighbourhood Plan	Implementation of Neighbourhood Plan projects	369.00
Gateway Signage	To meet 50% costs of new gateway signage for the parish	1719.12
Election Accrual	Long term accrual for 2019 elections	1,000.00
TAP Fund project 2015-16	Additional print copies of booklet	140.00
Environment Fund	To meet project costs associated with helping the environment within the parish	1000.00
Queens Jubilee 2022	To meet costs of hosting street parties and	1000.00
P3 Pathways Partnership	Footpath maintenance	413.02

6. Review of the adequacy of balances and reserves

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