

EAST WORLINGTON PARISH **COUNCIL.**

Reserves Procedure.

This document sets out East Worlington Parish Councils approved and agreed practices. Any deviation must be made by resolution of the full Council and recorded below.

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Revision History

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11-04-2024	1.0	Policy Approved and Ratified. RR2023/078 (9.4.24c)
23-01-2025	2.0	Policy Approved and Ratified.

Policy Review (where document reviewed but no changes made):

Review Number	Date	Resolution number & Minutes Ref:

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1. Introduction

The Council is required, under statute, to maintain adequate financial reserves in order to meet the needs of the organisation. **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.

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:

- a) A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of the general reserves;
- b) A contingency to cushion the impact of unexpected events or emergencies – this also forms parts of general reserves;
- c) 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 (R.F.O) 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 East Worlington Parish Council 1st November 2024:

Budget	Use	£'s
General Reserve	to cushion the impact of unexpected events or emergencies. To cover VAT until reclaimed.	1189.06

3. Financial Risk Management

In order to assess the adequacy of the general fund when setting the annual budget, the R.F.O 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.

Contingent liabilities are realised	That the council becomes liable to pay contingent liabilities
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This is not an exhaustive list.

4. Statutory Reserves

Local Authorities also hold reserves that arise out of the interaction of legislation and proper accounting practices. At East Worlington 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:

- a) The reason / purpose of the reserve;
- b) How and when the reserve can be used;
- c) Procedures for the management and control of the reserve; a process and timescale for review of the reserve to ensure continuing relevance and adequacy (see section 6).

The following earmarked reserves will be held by East Worlington Parish Council:

Budget	Use	£'s
Legal Cost	Short term accrual for ongoing legal costs.	162.86
Defibrillator	Long term accrual for renewal of Defibrillator agreement with SWAST.	1,800
War Memorial Fund	Short/Medium term accrual for Maintenance and repairs	2,500.00
Precept Contingency	Accrual to allow for the continuation of Council business while awaiting Precept payments	1,200.00
Road Warden	For ongoing Road Warden projects and works	4,000.00
Assets Fund	Short/Medium term accrual for Maintenance, repairs and/purchase relating to assets	150.00

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.