

Dodderhill Parish Council

Balances and Reserves Policy

Adopted 03/11/2018

Dodderhill Parish Council is required to maintain adequate financial reserves to meet its needs. The purpose of having a policy will set out how the council will determine and review its 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 when calculating the budget requirement. However, there is no specified minimum or maximum 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 key protocols for their establishment and use.

The Governance & Accountability for Local Councils Practitioners Guide 2014 states:
As councils have no legal powers to hold revenue reserves other than those for reasonable working capital needs or for specifically earmarked purposes, whenever a council's year-end general reserve is significantly higher than the annual precept, an explanation should be provided to the auditor.

Earmarked reserves, which are set aside for specific purposes and for savings for future projects, should be realistic and approved by the council... the amount of general reserve should annually be risk assessed and approved by the council.

This policy will be reviewed annually.

Reserves are categorised as follows:

Specific/Earmarked Reserves:

Funding that is "earmarked" for specific items of expenditure which can be built up over a number of years to reduce the impact of any significant expenditure in one year.

- a) **Renewals:** to allow for an effective programme for the replacement of assets.
- b) **Insurance and contingency reserve:** in case of a claim the council may need to meet the excesses not covered by insurance.
- c) **Defibrillator costs:** to allow for replacement pads/batteries.
- d) **Election costs:** if four-yearly elections are contested or a by-election called.

Reserve	Amount	Use	Policy
Renewals	£10,000.00 per annum until a reserve of £50,000 is achieved	To build up funds.	Purchase costs to be approved by council to be met from this reserve.
Insurance	£3,000.00	To hold funds to cover costs/excesses not covered under insurance policy.	Expenditure to be approved by council from this reserve.
Defibrillator	£500.00	To hold funds for replacement parts.	Expenditure to be approved by council from this reserve.
Election costs	£2,000.00	To build up funds for contested election.	Expenditure to be approved by council from this reserve.

Other earmarked reserves may be set up to meet known or predicted liabilities.

General Expenditure Reserves:

These reserves are not held to fund future expenditure. In extreme circumstances if the general reserves were exhausted due to unforeseen pressures the council would be able to use its earmarked reserves in the short term but would have to ensure that if used they would have to be replenished the following year.

These funds can be used for unexpected emergencies or events in order that the council can meet its legal and statutory requirements:

- Unexpected challenge i.e. audit
- Clerk illness
- Cover for short term cash flow issues
- Essential repairs/maintenance
- Unexpected administration duties
- Employment obligations

The level of general reserves or working balances is a matter of judgement and so this policy does not attempt to prescribe a blanket level, however the level of general reserves should not be significantly higher than the annual precept.

Risk	Analysis
Challenge	Costs incurred through threat to village, people and its surroundings.
Employee	Costs incurred through extra hours worked, illness cover.
Short term cash flow	Delay of funds expected.
Essential repairs	Unexpected issues relating to assets.
Unexpected administrative duties	Costs incurred through challenge or to address an opportunity that arises in relation to the Village, residents or surroundings.
Employment obligations	Provision for cost employment obligations i.e. redundancy, disciplinary issues.