WILLINGALE PARISH COUNCIL

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RESERVES POLICY

Adopted 11th March 2025
Next Review March 2027

Willingale Parish Council (WPC) is required to maintain reserves to protect against risk, ensure contingencies are in place and to support investments in future projects which are beneficial to the parish.
The Local Government Finance Act 1992 (sections 31, 32, 42 and 43) require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. The Local Government Act 2003 section 25 states that the Responsible Finance Officer has a duty to report on the robustness of the estimates made for the purposes of the calculations and the adequacy of the reserves.

Types of Reserves
WPC maintains two types of reserves:

General Reserves
This represents the non-ring fenced (earmarked) balance of Council funds. The purpose of the General Reserve is to operate a working balance to help manage the impact of uneven cash-flows and to provide a contingency to cushion the impact of emerging, unforeseen events or genuine emergencies. In general, a robust level of reserves should be maintained and take account of operational and financial issues that the Parish Council may face.

Earmarked Reserves
This provides a means of accumulating funds for use in a later financial year to meet known or planned policy initiatives and are generally built up over a period of time. The accumulating 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:
- The reason/purpose of the reserve;
- How and when the reserve can be used;
- Procedures for the management and control of the reserve;
- A process and timescale for review to ensure continuing relevance and adequacy.

If a specific reserve is no longer considered relevant or there is an overriding financial requirement to fund a priority elsewhere virement can be considered.

1. Use of Reserves
Reserves should not be held to fund on-going 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 may be replenished in the following year. However earmarked reserves that have been used to meet a specific liability would not need to be replenished, having served their original purpose.

Any decision to set up a reserve must be made by WPC.

Expenditure from reserves and the virement of monies can only be authorised by WPC.

Reviewing WPC's Financial Risk Assessment is part of the budgeting and year end accounting

procedures and identifies planned and unplanned expenditure items, thereby indicating an appropriate level of Reserves.

2. General Reserves

The minimum level of General Reserves is a matter of judgement and so this policy does not attempt to prescribe a blanket level.

The primary means of building general reserves, where necessary, will be through an allocation from the annual budget. This will be in addition to any amounts needed 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 annual budget. WPC must build and maintain sufficient working balances to cover the key risks it faces, as expressed in its financial risk assessment.

If in extreme circumstances General Reserves were exhausted due to major unforeseen spending pressures within a particular financial year, WPC would be able to draw down from its earmarked reserves to provide short term resources.

Even at times when extreme pressure is put on the finances WPC must keep a minimum balance sufficient to cover six month's payroll costs to staff in General Reserves at all times.

3. Earmarked Reserves

These will be established on a "needs" basis, in line with anticipated requirements.

All Earmarked Reserves are recorded on a central schedule held by the Responsible Financial Officer which lists the various Earmarked Reserves and the purpose for which they are held.

4. Current level of financial reserves

The target level of financial reserves held by WPC will be agreed during the discussion held regarding the setting of the budget for the next financial year.
The advised level of general reserves is half of the annual precepted figure, to fully cover six months expenditure but can be varied.