

ABBOTS MORTON PARISH COUNCIL BALANCES AND RESERVES POLICY

ADOPTED 02/02/2017

Abbots Morton 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.

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. However, the amount of general reserve should annually be risk assessed and approved by the council.

This policy will be reviewed annually by the Finance Working Group and reported to the Parish Council as part of the budget setting process.

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:** 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:** replacement pads/ batteries.
Battery warranty 8 years.
Electrodes to be changed after each use or after 2 years.
CHARGE-PAK Charging Stick with two sets of adult electrodes £94.80.
CHARGE-PAK Charging Stick with one set of adult electrodes £74.40
Total cost over 8 year period £223.20 + VAT.
- d) **Election costs:** If 4 yearly elections are contested or a bye-election called.

RESERVE	USE	POLICY
Replacement of Assets	To build up funds.	Purchase costs to be approved by Council to be met from this reserve.
Insurance.	To hold funds to cover costs/excesses not covered under insurance policy.	Expenditure to be approved by Council from this reserve.
Defibrillator.	To hold funds for replacement parts.	Expenditure to be approved by Council from this reserve.

Election costs	To build up funds for contested election.	Expenditure to be approved by Council from this reserve.
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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 Parish Council can meet its legal and statutory requirements:

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

The level of general reserves should be no more than the value of the annual precept i.e. 100%.

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.

Decisions on the levels of reserves to be held will be made by the Parish Council following recommendations from the Finance Working Group.