WHITEPARISH PARISH COUNCIL

FINANCIAL RESERVES POLICY

reviewed 28th November 2023 and applicable for financial year 2024/2025

1. Introduction

The Parish Council is required to maintain adequate financial reserves to meet foreseeable needs and commitments and also to have money available in the event of an emergency.

The Council's policy on the establishment, maintenance and adequacy of all reserves and balances will be considered annually by the Finance Committee as part of their Budget calculation, prior to recommendation to the full Council.

The Council will hold reserves for three main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of the general reserves;
- A contingency to cushion the impact of unexpected events or emergencies – this also forms part of the general reserves;
- A means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements. Earmarked reserves may be accounted for separately but remain legally part of the general reserves.

2. General Fund Balance

The general fund balance, commonly known as the 'working balance' is a balance on the Council's revenue account (usually known as the Current 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 or in the event of unexpected events or emergencies.

The general fund balance is to be maintained at a level based upon a risk assessment carried out annually by the Finance Committee when considering the budget for the forthcoming year. The current level of General Reserves to be held by the Council is targeted to be an absolute minimum of 60% of the prevailing year's budget.

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.

3. Financial Risk Management

In order to assess the adequacy of the general fund when setting the annual budget, the Finance Committee 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 items to be considered include:

Financial Risk	Analysis of Risk
Payment of precept income is delayed or frequency of payments are amended by Wiltshire Council	Adverse impact on ability to pay invoices and monies due
Contractual inflation is greater than budgeted	General assumption on inflation made when estimating the likely impact on Budget – which might be exceeded in practice
Contingent liabilities are realised	Insurance claim generates policy excess fee
Unexpected repair/replacement of Council assets	Repairs and renewals of village/Council assets that require unexpected expenditure
Staffing contingency	One year's staff costs to facilitate temporary staff cover in the event of sickness etc
Councillor contingency	Training for Councillors in the event of significant legal/policy changes

4. Earmarked Reserves

Earmarked Reserves are intended to be 'longer term' reserves to allow the Council to make capital equipment, land or property purchase of strategic importance to the Council and the community of Whiteparish.

These Reserves will specifically not be held to fund ongoing expenditure. To the extent that general reserves may be used to meet short term funding gaps, they must be replenished in the following financial year. However, earmarked reserves that have been used to meet a specific project would not need to be replenished, having served the purpose for which they were originally established.

Category of earmarked reserve	Rationale	£
Election expenses	Contribution to Wiltshire Council	7,700
Fence renewal	Fund to replace Parish Council fence	10,000
Recreation facility	Fund to maintain village recreational facilities	20,000
Recreation land	Fund to increase recreational land	24,000

5. Review of Adequacy of Balances and Reserves

In assessing 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, agreed and authorised by the full Parish Council.