

## **1 Parish Council Reserves**

The Parish Council needs to maintain reserves to protect against risk, ensure contingencies are in place and to support investment in future projects which are beneficial to the parish – *detailed within Section 50 of the Local Government Finance Act 1992.*

The purpose of the Reserves Policy is

- to present information about the requirement to maintain appropriate financial reserves
- to provide detail of the types of reserves held
- to enable a review of the level of reserves to ensure they meet the current and future needs of Exminster Parish Council

The Parish Council manages risk by assessing the potential impacts of future events, based on the likelihood that they may occur and the severity of any impact.

Mitigating actions are then identified to reduce the exposure and appropriate plans are put in place.

The assessment of the adequacy of the Council's balances and reserves is based on the guidance note on Local Authority Reserves and Balances; considered to set out current best practice with regard to balances and reserves. The guidance states that no case has yet been made to set a statutory minimum level of reserves and that each local authority should take advice from its Responsible Finance Officer and base its judgement on local circumstances.

## **2 Types of Reserves**

Exminster Parish Council maintains three types of reserves;

### **a) Designated Reserves**

These provide a means of accumulating funds to meet known or planned policy initiatives. Designated Reserves will increase through decisions of the Council and will decrease as they are spent on their specific intended purposes.

The purpose of a Designated Reserve is to set aside amounts for projects that extend beyond one year or as a contingency against a specific situation occurring. The purpose of each Designated Reserve should be reviewed annually to ensure that it is still relevant.

### **b) Restricted Reserves**

These funds can only be spent according to external regulations and include S106 funds, the Public Rights of Way Grant and other grant funding. Generally, but not always, there will be a time limit in which these funds have to be spent.

**c) General Reserve**

This contains the non-ring fenced (neither Designated nor Restricted) balance of Council funds. The main purposes of the General Reserve are

- to operate as a working balance to help manage the impact of uneven cash flows
- to provide a contingency to cushion the impact of emerging or unforeseen events or genuine emergencies

In general, a robust level of Reserves should be maintained to take account of operational and financial issues facing the Parish Council.

**3 General Reserves – Risk Assessment**

Risks can be identified as; risks from potential one-off events; risks which will have general financial consequences and actions that need to be in place to minimise the potential for financial support.

**Assessment of Potential Risks (not covered by insurance)**

*The outcome of this analysis has been to place an estimated total value on the range of risks that may arise and which are not covered by insurance.*

<b>Risk</b>	<b>Effects/Action</b>	<b>Value of Risk</b>
Loss of staff	Council could not function effectively Advertising costs to attract staff Pay for staff cover	£22,582 <sup>1</sup>
Uninsurable losses		£6,615
Election Reserve	Reserve to meet potential future Election costs due to a by-election	£4,410
Unanticipated Legal and Professional costs	Costs that cannot be recovered	£16,538
Unforeseen emergency maintenance work required for Parish Council Assets.	To avoid the requirement to take out a loan	£60,500
Late receipt of precept	Running expenses could not be met	£12,500
	Total	£123,145

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<sup>1</sup> Sickness absence cover for one member of staff less key man insurance cover, advertising costs for new staff

**Role of Responsible Finance Officer**

Exminster Parish Council, with advice from the RFO, is required to make its own judgements on the level of reserves, taking into account all relevant local circumstances.

It is the responsibility of the RFO to ensure reserves are spent in line with their purpose. Where expenditure is planned in future accounting periods, it is prudent to build up reserves in advance.

The RFO has a fiduciary duty to local taxpayers and must be satisfied that the decisions taken on balances and reserves represent responsible stewardship of public funds.

**Summary**

The figure for the General Reserve is determined by the *Assessment of Potential Risks (not covered by insurance)*.

The figure for Designated and Restricted Reserves will be determined on a case by case basis.

The Reserves will be reviewed on an annual basis during the budget setting process between November and January.