



MARCHWOOD PARISH COUNCIL

RESERVES POLICY

1. Introduction

The Council is required, under statute, to maintain adequate financial reserves in order to meet the needs of the organisation. Section 50 of the Local Government Finance Act 1992 requires that billing and precepting authorities in England and Wales have regard to the level of reserves needed to meet estimated future expenditure when calculating the budget requirement.

The Council's policy on the establishment, maintenance and adequacy of reserves and balances will be considered annually.

The Council will hold reserves for these 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 parts of general reserves;
- A means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately but remain legally part of the general fund.

2. General Fund balance

The general fund balance, commonly termed the 'working balance', is a balance on the council's revenue 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 councils cash flow.

The general fund balance is to be maintained at a level based upon a risk assessment carried out annually by the Responsible Finance Officer (RFO) when setting the budget for the forthcoming year. 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 RFO 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 main items to be considered are:

<i>Financial risk</i>	<i>Analysis of risk</i>
Pay inflation is greater than budgeted	The cost of living increase is above the level allowed for in the estimates.
Contractual inflation is greater than budgeted	A general assumption is made when estimating the percentage increase on rates and utilities. This may increase above budgeted inflation. Professional and other services costs increase above estimate.
Treasury management income is not achieved	The actual interest rate realised is below the rate predicted at budget setting.
Lloyd Recreation Ground income is lower than budgeted/shortfall in income from fees and charges	That a decrease in revenue is realised from estimate.
Village News income is lower than budgeted/shortfall in income from fees and charges	That a decrease in revenue is realised from estimate.
Contingent liabilities are realised	That the council becomes liable to pay contingent liabilities.

4. Statutory Reserves

Local Authorities also hold reserves that arise out of the interaction of legislation and proper accounting practices. At Marchwood Parish Council this is:

- Developers Contribution Reserves – this reserve holds the proceeds from the acceptance of Open Space from developers, and can only be used for the maintenance for these areas such as wages and equipment.

5. Earmarked Reserves

Earmarked Reserves represents amounts that are generally built up over a period of time which are earmarked for specific items of expenditure to meet known or anticipated liabilities or projects. The 'setting aside' 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 of the reserve to ensure continuing relevance and adequacy.

The following earmarked reserves will be held by the council:

Budget	Use	Cap on EMR £'s
Office Equipment	New office equipment	3,000
Legal fees	Unexpected legal fees	3,000
Public relations	For events such as 'Picnic in the park'	7,000
Interest received		
Other Grants		
Elections	To cover the cost of elections	5,000
Contingencies	For emergencies to stop the need for a loan	30,000
Replacements	New vehicles, mowers etc	30,000
Tools & safety equip	Equipment for the Groundsman	2,000
U12 play area	Replacement / New play area	60,000
Over 12 play area	Replacement / New paly area	20,000
Open space maintenance	Unexpected costs ie. Clean up's	3,000
Public seating	Replacement of seating	1,000
Dog bins	Replacement of dog bins	1,000
Tree Mgt	Unexpected costs ie. After a storm	6,000
Litter bins	Replacement of litter bins	500
Skate Park	Replacement / new park	30,000
Admiralty Quay play area	Replacement / new play area	35,000
Noticeboards / signs	Replacement of a board	2,000
Bridge at Oaklands	Replacement bridge	30,000
Good Citizens project		1,000
Tree planting scheme	Replacement of trees	500
Footpaths	Upgrade / install a path	5,000
War memorials	Cleaning / repair of	1,000
Pavilion	Future costs	15,000
Play area at Lloyds	Replacement / new play area	30,000
Courts	Replacement / up grade	30,000
General maintenance Lloyds	Unexpected costs	2,000
Pitch	Improvement	10,000
Basketball Court	Replacement / up grade	1,000
Tree works	Unexpected works at the Lloyds	3,000
Grants received		
Admin general		0
Office provision		0

Property general		0
Waterside Community Railway	Related costs	200
General Reserve	As described at point 2	200,000
Developers Reserve (S106)	As described at point 3	

6. Review of the adequacy of balances and reserves

In accessing the adequacy of reserves the strategic, operational and financial risks facing the authority will be taken into account. The level of earmarked reserves will be reviewed as part of the annual budget preparation.

Approved and adopted 23rd February 2015.