



## WIMBLINGTON & STONEA PARISH COUNCIL RESERVES

### Introduction

Wimblington Parish Council are required to maintain reserves to protect against risk, ensure contingencies are in place and to support investment in future projects which are beneficial to the village. Sections 31A, 32 42A and 43 of the Local Government Finance Act 1992 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 Responsible Finance Officer (Parish Clerk) has a duty to report on robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003) when the authority is considering its budget requirement

The Reserves Policy presents information about the requirements to maintain appropriate financial reserves and provides details on the types of reserves and current and predicted balances. Wimblington 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. A risk report will be submitted to the council on an annual basis.

The purpose of this Policy is to enable the Finance Committee to review the level of reserves to ensure they meet the current and future needs of Wimblington Parish Council.

The assessment of the adequacy of the Council's balances and reserves is based on the guidance note on [LAAP BULLETIN 99 Local Authority Reserves and Balances July 2014](#), which whilst there is not a statutory requirement, is 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 (para 20).

### TYPES OF RESERVES

**Wimblington Parish Council maintains two types of reserves:**

#### **Ringfenced (Earmarked Reserves)**

The purpose of an Earmarked Reserve is to set aside amounts for projects that extend beyond one year or as a contingency against a specific situation occurring. Once an Earmarked Reserve has been established by the Parish Council it is the responsibility of the Responsible Finance Officer to ensure funds are spent in line

with their purpose. The purpose of each Earmarked Reserve should be reviewed annually to ensure that it is still relevant. 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 by the parish council.

## **General Reserves**

This represents the non-ringfenced balance of Council funds. The main purposes of the General Reserves are firstly to operate as a working balance to help manage the impact of uneven cash flows and secondly, to provide a contingency to cushion the impact of emerging or unforeseen events or genuine emergencies. In general, a robust level of reserve should be maintained and take account of operational and financial issues facing the Parish Council. A well-run council with a prudent approach to setting its budget will each year consider its level of general reserves. These general reserves will also need to be supported by earmarked reserves for specific needs, contingencies and commitments. In assessing the level of the Parish Council's reserves, account needs to be taken of the risks facing the Council in terms of any significant unforeseen expenditure requirements

Further major elements which could impact adversely on future precepts are:

- Capping of the Parish Council Precept by Central Government
- Devolved services

## **PURPOSE OF GENERAL FUND RESERVES**

The purpose of general reserves is to minimise the possible financial impacts to the authority from; emergencies, unforeseen events and ad hoc emerging issues during the year.

## **GENERAL FUND RESERVE – RISK ASSESSMENT**

Identifying the risks allows the Parish Council to take account of the circumstances around current structural change due to service provision and economic circumstances.

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.

## **ROLE OF RESPONSIBLE FINANCE OFFICER (PARISH CLERK)**

It is the responsibility of the Responsible Finance Officer (RFO) to advise the Parish Council about the level of reserves that it should hold and ensure that it has clear protocols for their establishment and use.

There is no statutory minimum but there are four significant safeguards in place against the Parish Council over committing itself financially:

- The balanced budget requirement.
- RFO s114 Powers.
- The External Auditors responsibility to review and report on financial standing.
- The year-end audit report from the Parish Council's Internal Auditor

Wimblington Parish Council, on the advice of their RFO and guidance of the Internal Auditor, is required to make their 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 (the highest standard of care) to local taxpayers and must be satisfied that the decisions taken on balances and reserves represent responsible stewardship of public funds.

It is recommended that the level of General Reserves should not fall below the level of current risk, this is reviewed and agreed at the Finance Committee annual budget meeting and then must be ratified by the full council.

## **Definition of a Section 114 Notice**

### **What is a S114 Notice?**

Within the Local Government Finance Act 1988, Section 114 (3) dictates that:

“The RFO of a relevant authority shall make a report under this section if it appears to them that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure”.

In general terms this means that for Local Government, it is the RFO or Section 151 officer who has the role under law of being the most senior financial advisor to the wider Council's leadership on its financial plans. Uniquely across the public sector however, the RFO also has the power and responsibility to legally suspend spending for a period of time if they judge the Council does not have a balanced budget or the imminent prospect of one.

## **Appendix 1**

### **What Happens when a S114 Notice is Issued?**

It means that no new expenditure is permitted, with the exception of that funding statutory services, including safeguarding vulnerable people, however existing commitments and contracts will continue to be honoured.

Council officers must therefore carry out their duties in line with contractual obligations and to acceptable standards, while being aware of the financial situation. Any spending that is not essential or which can be postponed should not take place and essential spend will be monitored.

The only allowable expenditure permitted under an emergency protocol would include the following categories:

- Existing staff payroll and pension costs
- Expenditure on goods and services which have already been received
- Expenditure required to deliver the council's provision of statutory services at a minimum possible level
- Urgent expenditure required to safeguard vulnerable citizens expenditure required through existing legal agreements and contracts
- Expenditure funded through ring-fenced grants
- Expenditure necessary to achieve value for money and / or mitigate additional in year costs