

SEALAND COMMUNITY COUNCIL

POLICY ON FINANCIAL RESERVES.

Earmarked Reserves are amounts that are set aside for specific policy or project purposes or for general contingencies and cash flow management. For each reserve established the purpose, usage and basis of transactions needs to be clearly defined.

The Reserves identified will assist in the following ways:

- Create a working balance that will help to cushion the impact of any unforeseen issues to avoid cash flow problems and avoid any unnecessary borrowing. This forms part of general reserves
- Create a contingency to cushion the impact of any unexpected events or emergencies. This also forms part of general reserves.
- Creates a means of building up funds to be used in the future against specific planned events, liabilities or projects.
- Insurance reserves - to meet the estimate of any future claims the enable the Council to meet the excesses not covered by Insurance
- Carry forward of underspend- Some expenditure budgeted for projects in a given year cannot be spent in that financial year. Reserves can be used as a mechanism to carry forward such resources.

GOVERNANCE

Sections 32 and 43 of the Local Government Finance Act 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.

It is important therefore that all Councillors take responsibility for ensuring the adequacy of reserves and provisions when they set the budget.

Day to day monitoring and management of the Reserve shall sit with the Responsible Financial Officer, who must report Reserve activity and variance to Full Council.

The determination of the Community Council's Reserves will be consistent with meeting the Council's overall strategic objective, namely:

- Improving the quality of the Community's amenities
- Improving the environment and surroundings for the residents of Sealand.

All identified Reserves must be approved by Full Council. Council will approve:

- The reason for creating the Reserve
- The usage of the Reserve- how and when it can be used
- The basis of transactions- The approval for expenditure from the Reserve shall sit with Full Council.

The Council (assisted by the Responsible Financial Officer) should annually appraise the risks facing the Council, and the adequacy of any reserves considered in the light of any identified risks.

REPORTING ON RESERVES.

The overall level of balances shall be reported to Council on a monthly basis.

A report on the reserves shall be made annually to Council as part of the budget setting.

Earmarked Reserves and their designated purpose shall be reviewed annually by full Council.

RESERVES CURRENTLY MAINTAINED

Based upon the balance of accounts of 2016/17 Sealand Community Council currently hold the following Reserves.

Of the carry forward of £36,987.43 on 31st March 2017 an amount of £25,000 is held as a Contingency Reserve to assist cash flow in the event of unforeseen occurrences. The remaining funds were required to cover council expenditure until the first precept payment was made by Flintshire County Council at the end of April 2017.

(The recommended amount to be held in Reserves for contingency purposes is proportionately 6-9 months of gross expenditure - estimated expenditure for 2017/18 is £58,531 - 6 months is equivalent to £29,265)

At the meeting of council held on 11th December 2017 the Clerk advised that the Council had agreed to an indicated expenditure of £59,062. Estimated income excluding precept is £720. Estimated opening balance at 1 April 2018 is £36,354. To achieve an estimated balance at 1st April 2019 of £36,000 a precept of £57,988 is required. Council agreed to set a precept of £58,000 for the 2018/19 financial year. Of the estimated carry forward of £36,354 and amount of £25,000 will held as a Contingency Reserve to assist cash flow in the event of unforeseen occurrences. The remaining funds were required to cover council expenditure until the first precept payment was made by Flintshire County Council at the end of April 2018.

This policy was approved by Council at its meeting on Monday 18th September 2017 and was reviewed at the Annual Finance Meeting on Monday 11th December 2017.

PR - December 2017