

## **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**

At the meeting of council held on 10<sup>th</sup> December 2018 the Clerk advised that the Council had agreed to an indicated expenditure of £59,809 for the 2019/20 financial; year. Estimated income excluding precept is £1,272. Estimated opening balance at 1 April 2019 is £36,943. To achieve an estimated balance at 1<sup>st</sup> April 2020 of £36,000 a precept of £57,594 is required. Council agreed to set a precept of £57,000 for the 2019/20 financial year. Of the estimated carry forward of £36,943 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 2019.

(The recommended amount to be held in Reserves for contingency purposes is proportionately 6-9 months of gross expenditure – estimated expenditure for 2019/20 is £59,809 – 6 months is equivalent to £29,904)

This policy was reviewed by Council at its meeting on Monday 10<sup>th</sup> December 2018

PR – December 2018