

OKEHAMPTON HAMLETS PARISH COUNCIL RESERVES POLICY

Introduction

Okehampton Hamlets Parish Council is required to maintain adequate financial reserves to meet the needs of the authority.

The purpose of this policy is to set out how the Council will determine and review the level of reserves it holds.

Two types of reserves are held: Earmarked Reserves and General Reserves.

Earmarked Reserves – a way of accumulating funds for use in a later financial year to meet known and planned initiatives. It is also way to set aside amounts for projects that last longer than the current financial year and also contingency for specific events occurring. These funds will decrease as they are spent on their intended purpose and can be increased by resolution passed by the Council.

Earmarked Reserves are reviewed as a minimum on an annual basis when setting the budget and precept for the coming financial year.

There is no limit on the amount of Earmarked Reserves that can be held except that the reason must be for genuine intended purposes.

General Reserves

The general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances. The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure. The smaller the authority, the closer the figure may be to 12 months expenditure, the larger the authority, the nearer to 3 months.

Extracted from NALC 'Accountability and Governance Practitioners' Guide'.

The major income of this Council is the Precept. The level of the General Reserve should be reviewed each year as part of the budgeting process. If the general reserve is too high the level will need to be justified to the external auditor.

The primary means of building a General Reserve will be through the reallocation of funds e.g. where a project comes in under budget or through an allocation from the annual budget or unused budget from a previous financial year. When budgeting and reviewing reserve requirements the council must make assumptions and identify potential risks which include the following:

- The level of inflation and interest rates
- Salary and benefit reviews negotiated by the National Joint Council for Local Government Services
- Loss of staff
- Legislation changes
- One-off events
- Uninsurable losses
- Potential capping of Local Authority precept by central government
- Non receipt of Precept