

Working Balances, Reserves and Provisions

1. Policy

- 1.1 Council have adopted the general principles of the CIPFA Guidance on Local Authority Reserves and Balances.
- 1.2 The Head of Financial Services shall advise the Council about the level of working balances, reserves and provisions and administer in accordance with the Council's Finance Strategy.
- 1.3 The Working Balance shall be set at a minimum of 5% of net operating expenditure and be used to cushion the impact of uneven cash flows, and as a contingency for unexpected events or emergencies.
- 1.4 General Reserves arising from either savings on budgeted expenditure or over achievement of targeted income are to be reviewed annually by the Council as part of the budget process and are to be used to assist with the balancing of the budget over the medium term financial plan.
- 1.5 Earmarked Reserves are set up by the Council to assist with known or predicted liabilities. The level of each Reserve is assessed by the Head of Financial Services based upon strategic, operational and financial risks facing the Council and agreed by the Council annually as part of the Budget process.
- 1.6 The Head of Financial Services will establish provisions for defined liabilities in accordance with Accounting Guidelines.

2. Working Balances

- 2.1 The Council have a Working Balance set at a minimum of 5% of net operating expenditure. The current Working Balance is £700,000 and this amount is felt to be an appropriate level for 2007/2008. The Working Balance is used by the Council to cushion the impact of uneven cash flows, and as a contingency for unexpected events or emergencies.

3. General Reserves

- 3.1 General Reserves arise from either saving on budgeted expenditure or over achievement of targeted income. These reserves are reviewed annually by Council as part of the budget process and are used to assist with the balancing of the budget over the medium term financial plan.
- 3.2 Reserves available to meet General Fund Expenditure from 1st April 2007 are currently calculated to be £2,858,370.

4. Earmarked Reserves

4.1 Earmarked Reserves are set up by the Council to assist with known or predicted liabilities. The Council have currently the following main Reserve other than deposit accounts and reserves associated with the overrun of specific projects :-

- a) Employee and Pensions Fund. This Reserve which amounted to £250,000 at 1st April 2006, has been set up to meet one-off costs of employee severance brought about by Organisational Review and other managerial factors. The fund has been in existence for several years and removes the impact of employee severance costs from the Revenue Budget.

5. Provisions

5.1 Provisions are required for defined liabilities and as such have to be distinguished from Reserves. Provisions are established by the Head of Financial Services in accordance with the Accounting Code of Practice. The Council's main Provision is in respect of Bad Debts which amounts to £431,120 which is calculated in accordance with CIPFA guidance.