



# Welland & Deepings

Internal Drainage Board

RESERVES POLICY

OCTOBER 2017

Deeping House  
Welland Terrace  
Spalding  
Lincs  
PE11 2TD

# WELLAND & DEEPINGS INTERNAL DRAINAGE BOARD

## RESERVES POLICY

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### (a) Introduction

Reserves are an essential part of good financial management. They help the Board cope with unpredictable financial pressures and plan for their future spending commitments. The level, purpose and planned use of reserves are important factors for members and officers to consider in developing long-term financial plans and setting annual budgets.

This policy identifies the reserves that the Board hold and the purpose and use of each one.

### (b) Different types of Reserves

The Board holds two different types of reserves:

- **Earmarked reserves** – funds that the Board choose to set aside to meet known or predicted future spending.
- **Unallocated reserves** – working balances to manage cash flows and protect annual budgets against less predictable costs.

Total reserves are the sum of earmarked and unallocated reserves.

### (c) Reserves held by the Board

- **General Reserve**

The General Reserve is an unallocated reserve whose primary purpose is to provide protection against unplanned expenditure.

The Board produces annual estimates based on an average year's expenditure; however, during extremely wet or prolonged periods of extreme weather this may not cover the actual expenditure within the year. In these circumstances the deficit would be funded from the General Reserve. In periods when the Board has an under-spend this would be transferred into the General Reserve.

The Association of Drainage Authorities (ADA) recommends that Boards hold between 20% and 25% of estimated net expenditure in this reserve. This is general guidance and will vary depending on the size of Board and varying financial risks.

The risk of sudden or extreme expenditure within this Board based on the range of assets held and the number of piped watercourses that run under urban areas is considered medium to high. Based on this level of risk the General Reserve will be held at around 30% of estimated net expenditure.

- **Capital Reserve**

The Capital Reserve is an earmarked reserve whose primary purpose is to fund the replacement or capital enhancement of land and buildings owned by the Board.

It is a historic reserve the income of which has been derived from the disposal of land and buildings. Any future income into this reserve would only come from this source.

Renovations of Board's properties could be funded from this reserve.



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- **Development Reserve**

Development Reserve is an earmarked reserve the purpose of which is to reduce the impact on drainage rates from development that takes place within the area.

Income is derived from levying developers with a standard charge per impermeable hectare to discharge water into the Board's system. Once money is credited to this reserve it is used to fund future capital works from the increased flows into the Board's system.

Historically a sum of £25,000 per annum has been credited towards administration costs.

Additions for this fund are likely to be more limited with the presumption of SUDS on major development sites. The majority of water will then be dealt with on developments and not enter into the Board's systems. Development contributions are likely to be at a much reduced level in future years.

- **Fixed Plant Reserve**

Fixed Plant Reserve is an earmarked reserve for the purpose of which is to fund the Board's future capital works programme. This will include the refurbishment or replacement of pumping stations, pipelines and other water control structures owned and maintained by the Board.

The reserve was created recently by a transfer from the General Reserve and subsequent annual funding from Drainage Rates. Future income will come from Drainage Rates and transfers of any surplus from the General Reserve.

The requirements of the fund will align closely with the long term capital programme that is updated annually and forms part of the rate estimates.

### **(d) Review**

A short review of each reserve shall be included in the annual management accounts and a full review will be undertaken by the Board every three years.

The Board may create other earmarked reserves by resolution of the Board. Likewise if a reserve is no longer required they may resolve that it cease and any remaining funds be transferred to another reserve.

Karen Daft  
Chief Executive

