

WEST HALTON & COLEBY PARISH COUNCIL

FINANCIAL RESERVES POLICY

PURPOSE

West Halton & Coleby Parish Council is required to maintain adequate Financial Reserves to meet the needs of the Parish Council. The purpose of this policy is to set out how the Council will determine and review the level of Reserves. Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to have regard to the level of Reserves needed for meeting estimated future expenditure when calculating the budget requirement. However, there is no specified minimum level of Reserves that an authority should hold and it is the responsibility of the

Clerk/Responsible Finance Officer will advise the Council about the level of Reserves and to ensure that there are procedures for their establishment and use.

TYPES OF RESERVES

Reserves may be categorised as General or Designated. Designated Reserves can be held for several reasons and are intended to be restricted for that agreed use. General Reserves are funds that do not have any restrictions as to their use. These Reserves can be used to smooth the impact of uneven cashflows, offset the budget requirement, if necessary, or can be held in case of unexpected events or emergencies.

Designated Reserves – Designated Reserves will be established on a ‘needs’ basis, in line with anticipated requirements. Any decision to set up a Designated Reserve must be given by the Parish Council. Expenditure from Designated Reserves can only be authorised by the Parish Council. Designated Reserves that have been used to meet the specific liability (or project) for which they were designated would not need to be replenished, having served the purpose for which they were originally established.

General Reserves – the level of General Reserves is a matter of judgment and so this policy does not prescribe an overall level. However, the current level of General Reserves to be held by the council is currently targeted to be a minimum of 50% of the annual precept figure. The Council will build and maintain sufficient working balances to cover the key risks it faces, as expressed in the Financial Risk Assessment, which is reviewed annually. The primary means of building General Reserves will be through an allocation from the annual budget. This will be in addition to any amounts needed to replenish Reserves that have been consumed in the previous year. Reserves will not be held to fund ongoing expenditure. To the extent that Reserves are used to meet short term funding gaps, they must be replenished in the following year.

If, in extreme circumstances, General Reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Council would be able to draw down from its Designated Reserves to provide short-term resources. Even at times when extreme pressure is put on the Council’s finances the Council must keep a minimum balance, sufficient to pay three month’s salaries to the clerk, in General Reserves at all times.

POLICY IN PRACTICE

The Council will hold Reserves for these three main purposes:

A working balance to help cushion the impact of uneven cash flow and avoid unnecessary temporary borrowing – this forms part of the General Reserves

A contingency to cushion the impact of unexpected events or emergencies – this also forms part of the General Reserves

A means of building up funds to meet known or predicted requirements – these are Designated Reserves

All Reserves will be held in a separate Deposit Account, separate from the general Current Account.