

Cononley Parish Council

Financial Reserves Policy

Adopted 11 December 2018

1. Introduction

- 1.1 The purpose of this policy is to set out how Cononley Parish Council will determine and review the level of its financial reserves.
- 1.2 Sections 32 and 43 of the Local Government Finance Act 1992, require Cononley Parish Council to maintain adequate financial reserves to meet its foreseeable needs and commitments when calculating its annual budget requirement.

2. The Responsible Financial Officer

- 2.1 It is the responsibility of the Responsible Financial Officer (RFO) to advise the Council about the level of financial reserves and to ensure that there are procedures in place for their establishment and use.
- 2.2 The RFO will maintain a detailed schedule of all specific reserves and the purpose for which they are held. The schedule will form part of the monthly accounts package.

3. Procedure for setting financial reserves

- 3.1 Legislation does not specify a minimum level of reserves that the Parish Council should hold.
- 3.2 Cononley Parish Council relies on the annual precept, paid in two instalments by Craven District Council each year, for sufficient financial resources to enable it to carry out its obligations. In the event of a delay in payment of the precept the Parish Council would not be able to continue with its activities.
- 3.4 Therefore, in order to enable the Parish Council to continue to function in the event of a delayed precept payment, the Parish Council agrees to maintain a general level of financial reserve which will enable it to function for a period of six months.
- 3.5 Any decision to set up any financial reserve can only be made by the Parish Council.
- 3.6 In setting the level of financial reserves for the forthcoming year, the Parish Council must have regard to the following:
 - Staff appointments, salaries and PAYE/NIC payments to be made
 - Office running costs
 - Obligations as regards to the Village Institute and the Playing Fields (e.g. insurance)
 - Planned projects
 - Developers' Contributions (e.g. s106 monies)
 - Future projects and capital expenditure
 - Costs of governance (e.g. possible election in the event of a casual vacancy and contested elections)
 - Unexpected essential repairs or maintenance work

3.7 The Parish Council must also consider the following when deciding whether to create a financial reserve:

- The reason for and /or purpose of the financial reserve
- How and when the money from the reserve can be used
- Procedure for the management and control of the financial reserves
- A process and timescale for review of the financial reserves to ensure their continuing relevance and adequacy

4. Types of reserves

4.1 Reserves can be categorised as either Specific or General.

5. Specific Reserves

5.1 Specific Reserves are set up to meet known or predicted liabilities.

5.2 Specific reserves may be held for several reasons:

- Renewals – to enable services to plan and finance an effective programme of asset renewal and planned asset maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets
- Carry forward of underspend - some services commit expenditure to projects, but cannot spend the budget in year. Reserves are used as a mechanism to carry forward these resources
- Insurance reserve – to enable the Council to meet the excesses of claims not covered by insurance
- Developers Contributions – proceeds from developers that can only be used for specified purposes
- Other Specific Reserves – for known or predicted liabilities

5.3 Expenditure from Specific Reserves can only be authorised by the Parish Council.

5.4 After having served the purpose for which they were originally established, Specific Reserves that have been used in full, to meet that specific liability, do not need to be replenished.

5.5 Where the purpose of a Specific Reserve becomes obsolete, or where there is an over-provision of funds, the excess, may by resolution of the Parish Council, be transferred to other budget headings within the revenue budget or to the General Reserve, or to one or more other Specific Reserves.

5.6 Specific Reserves must not be held to fund ongoing expenditure.

6. General Reserves

6.1 General Reserves are funds which do not have any restrictions as to their use. These reserves can be used to smooth the impact of uneven cash flows, offset the budget requirement if necessary or can be held in case of unexpected events or emergencies.

- 6.2 It is intended to maintain the General Reserve at a level equivalent to 6 months precept, but at all times should be sufficient to cover the Clerk's salary in the event of long-term sickness or resignation, when the services of a locum Clerk may be required.
- 6.3 If the balance of the General Reserve is drawn down, then it will be replenished through an allocation from the next annual budget.
- 6.4 Even at times when extreme pressure is put on the Parish Council's finances, it must keep a minimum balance sufficient to pay three month's salaries to staff (i.e. the Clerk and the Lengthsman) in General Reserves at all times.
- 6.5 If, in extreme circumstances the General Reserve is exhausted due to major unforeseen spending pressures within a particular financial year, the Parish Council may draw down from its Specific Reserves to provide short-term resources.
- 6.6 Where the General Reserve amount has arisen because of excess funds through cancelled or obsolete activities, the Parish Council may elect to use these funds for another purpose for which no other budget is available.

7. Management and Control of Financial Reserves

- 7.1 Movements in Specific and General Reserves shall be reported to the Parish Council on a monthly basis as part of the normal accounting reports by the RFO.
- 7.2 All movements in Specific and General Reserves shall be reported on an annual basis as part of the annual accounting report by the RFO.
- 7.3 It is essential that the levels of all financial reserves are reviewed annually as part of the budget process to confirm they are still required and that the level is still appropriate.
- 7.4 The level of the General Reserve shall be reviewed on an annual basis during the annual budgetary review. The minimum level of the General Reserve shall be recommended to the Parish Council by the RFO. This will form part of the recommendations for the Annual Budget and Precept request to the District Council.
- 7.5 Specific Reserves shall be reviewed on an individual basis as part of the annual budgeting process. This will form part of the recommendations for the Annual Budget and Precept request to the District Council.
- 7.6 Recommendations on creation, amendment, cessation or continuance of Specific Reserves will be given by the RFO to the Parish Council by way of a report forming part of the recommendations for the Annual Budget and Precept request.
- 7.7 Approval for the creation, amendment, cessation or continuance of Specific Reserves will be given by the Parish Council.

8. Financial Reserves Policy to form part of the Financial Regulations

- 8.1 This Financial Reserves Policy shall form part of the Financial Regulations of Cononley Parish Council and, as such, will be reviewed annually and may only be amended or varied by Resolution of the Parish Council.