TREWERN COMMUNITY COUNCIL / CYNGOR CYMUNED TREWERN

FINANCIAL RESERVES POLICY

1 Introduction

1.1 The Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement and it is the responsibility of the Responsible Financial Officer to advise Council on the level of reserves and to ensure there are clear protocols in place for the establishment and use of reserves.

1.2 The Governance and Accountability for Local Councils in Wales – A Practitioners Guide (2019 edition) jointly published by One Voice Wales and the Society of Local Council Clerks (SLCC) provides statutory proper accounting practices for community councils in Wales and guidance on proper governance arrangements.

1.3 The Practitioners Guide states that Councils have no legal powers to hold revenue reserves other than those for reasonable working capital needs or for specifically earmarked purposes. Earmarked reserves, which are set aside for specific purposes and for saving for future projects, should be realistic and approved by Council. The Practitioners Guide also says that it is generally accepted that general (un-earmarked) reserves usually lie within a range of three to twelve months of gross expenditure. However, the amount of general reserve should be risk assessed and approved by the Council.

1.4 A Council needs to hold some reserves to ensure it can meet the cost of unexpected events and has enough cash to pay its invoices until it receives its precept.

1.5 There is no requirement for the Council to have a Reserves Policy and research has shown that many community and town councils in Wales do not have a published Reserves Policy however it is felt prudent that Trewern Community Council should consider and approve its policy in relation to earmarked and general reserves on an annual basis.

2 Earmarked Reserves

2.1 Earmarked Reserves are amounts set aside for specific policy or project purposes. In most cases this will be projects which are unable to be delivered in a single financial year either due to timing issues or the need to build up a budget over a period of years to deliver or contribute to a significant project.

2.2 Trewern Community Council will keep Earmarked Reserves that are considered necessary to support future expenditure on specific projects or as funds to be built up towards significant revenue expenditure or to meet anticipated liabilities.

2.3 The establishment of an Earmarked Reserves must be approved by Council on the advice of the Responsible Financial Officer and in line with planned or anticipated project requirements. When approving the establishment of an Earmarked Reserve, the Council must set out

2.4 The reason for and purpose of the reserve

- How and when the reserve will be used
- The procedures for the management and control of the reserve
- A process and timescale for the review of the reserve to ensure its continuing relevance and adequacy

2.5 Earmarked Reserves that have served their purpose will not need to be replenished as the specific purpose or liability for which they were established will have been delivered. Any remaining balance in an Earmarked Reserve following the delivery of a project will be reported to Council and a decision made on re-allocating the balance to another Earmarked Reserve or transferring it to General Reserves.

3 General Reserves

3.1 The Council needs to retain a prudent level of general reserves that are sufficient to ensure that it can meet its on-going commitments i.e. to pay its invoices, respond to any emergency or unplanned expenditure and to overcome any cash flow difficulties that may arise.

3.2 General Reserves will assist the Council in the following ways

- Create a working balance that will help to cushion the impact of any unforeseen expenditure to avoid cash flow problems and unnecessary borrowing.
- Create a contingency to cushion the impact of any unexpected events or emergencies.

3.5 The Practitioners' Guide suggests that general reserves usually fall within three to twelve months of gross expenditure. When assessing the appropriate level for Trewern Community Council, the Council will consider only its core annual running costs, excluding one-off growth items, new projects not yet underway, or expenditure that will be met from earmarked reserves. Where reserves exceed the typical range, the Council will ensure the level is reasonable and can be clearly justified based on local risks and financial stability.

3.6 Trewern Community Council's main financial risks relate to the maintenance of its play area and community assets, and this will be taken into account when determining an appropriate level of general reserves.

4 Governance

4.1 The level of Earmarked and General Reserves will be reviewed by the Council each year as part of the precept-setting process, using the latest year-end forecast and budget information.

4.2 The level of reserves should also be reviewed each year as part of the annual budget setting process.

4.3 When assessing the level of reserves held, account should be taken of the risks facing the Council in terms of any unforeseen expenditure requirements or issues not provided for in the budget.

4.4 Reserves will only be used to support ongoing revenue expenditure in exceptional circumstances and only with a specific plan in place to fund the ongoing expenditure from other means in future years.

4.5 No movement for Earmarked or General reserves will be actioned without the specific approval of Council.

Trewern Community Council adopted/reviewed this Financial Reserves Policy at its meeting on:

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Signed:……Date:……..……..

Print Name:…….……

Position:……..……..

Version No:……..……

Review Date = Annual

Amended or Reviewed	Date	Version No	Who
Approved			