



**PILSLEY PARISH COUNCIL**

# **RESERVES POLICY**

<b>POLICY STATEMENT REFERENCE NUMBER</b>	<b>ADOPTED DATE</b>	<b>REVIEW DATE</b>
<b>23</b>	<b>Feb 2023</b>	<b>Feb 2025</b>

## **Introduction**

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 its budget requirement. There is no specified minimum level of reserves that an authority should hold and it is the responsibility of the Responsible Financial Officer to advise the Council about the level of reserves and to ensure that there are key protocols for the establishment of reserves and their use. The level of the Council's reserves (whether they be general or earmarked for specific purposes) should be consistent with meeting the Council's objectives set out in its Business Plan.

The purpose of this Policy is to outline the process by which Pilsley Parish Council manages its finances, including the determination of its reserves in the short, medium and long term. The Council recognises that decisions regarding spending priorities, contingencies, long term projects, the level of the annual precept and reserves are all interconnected and cannot be viewed in isolation. This Policy should be read in conjunction with the Council's adopted [Financial Regulations](#) and the Council's [Standing Orders](#).

## **Reporting and decision making process**

Although robust financial management is a continuous process the annual cycle can best be described as follows:

### **Budget setting process**

1. The Clerk / Responsible Financial officer (RFO) review the current financial forecast report and taking into account the future plans of the Council will prepare a first draft of a forecast budget for the forthcoming financial year (including implied precept figure) for the December meeting of the Full Council.
2. The Council will review the December report and consider all future short, medium and long term spending plans
3. The Clerk/RFO will prepare a revised budget report for the January meeting of the Full Council at which the budget and the annual precept will be approved.

### **On-going financial monitoring**

4. Monthly expenditure reports will be prepared for each Full Council meeting
5. A Financial Management Report will be presented to the September Full Council meeting with a key component being a forecast of expected income / spending for the current year on a line by line basis. The forecast incorporates the latest information available to the Council that has an effect on its anticipated income / spending for the year.
6. The Financial Management Report will also include a rolling three year plan to allow the Council to incorporate future/ long term projects into its financial planning.
7. Year end accounts will be prepared in conjunction with the Annual Return prepared for the external auditor.

### **Council decision making process**

8. The principal financial decisions of the Council are taken at the December and January meetings including the precept request for the forthcoming year and approval of the Budget.
9. Once this decision has been taken there is only limited scope to vary expenditure in the short term (see 'Dealing with Uncertainty' below).
10. Throughout the year Full Council can make decisions that affect short, medium and long term

spending plans. These decisions feed into the financial management process (steps 1 to 6).

### **Dealing with Uncertainty**

The Council recognises that it faces uncertainty regarding its ability to forecast income and expenditure accurately. This uncertainty is mitigated in the following manner:

- a. Monthly meeting regular budget summaries include forecasts (step 4) which allow the identification of deviations from the budget.
- b. The provision of an annual contingency for playground repairs allows for medium level expenditure for repair and replacement of equipment that cannot be predicted with certainty.
- c. The provision of an annual contingency allows for medium level expenditure for repair and replacement of other assets that cannot be predicted with certainty (for example pavilion, street furniture).
- d. The provision of an annual reserve to replace two bus shelters per annum on the proviso that 50% of the costs will be met by DCC.
- e. An adequate level of reserves allows expenditure to exceed that planned in the short and medium term.

### **Reserves Policy**

Total Reserves' consist of 'General Reserves' and 'Specific Reserves/ Ear Marked'.

The target level of closing General Reserves will be within the range of 30% - 60% of the precept for the year. The Council will ensure its medium term forecasts are consistent with this target when approving its budget for the year.

Specific/Ear Marked Reserves are to be created only for items in the following categories:

- A long term build up of funds to replace / renew assets (such as the Council's Assets) at an unspecified time.
- Items that require specific expenditure at a determinable time later than that covered by the annual budget as detailed in b-d above .
- The creation of a Specific Reserve should be for clearly identifiable expenditure items and needs Full Council approval.