



Chailey Parish Council

Financial Reserves Policy

Introduction

1. Chailey Parish Council (“the Council”) is required to maintain adequate financial reserves to meet the needs of the Council in carrying out its functions. This policy sets out how the Council will designate its financial reserves and how it will determine and review the level of those reserves.
2. Local authorities are required to have regard to the level of reserves needed for meeting estimated future expenditure when calculating their 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 (“the RFO”) to advise the Council about the level of reserves and to ensure that there are principles for their establishment and maintenance. The principles to be followed by the Council are set out in this policy.

Designation of reserves

3. The Council may establish and hold reserves that are designated either as earmarked or general.
4. Earmarked reserves may be established for one or more of the following reasons:
 - to meet known or predicted future expenditure or liabilities;
 - to smooth the effect of expenditure commitments over more than one financial period;
 - to plan and finance an effective programme of equipment replacement, planned property repair/maintenance and/or grounds repair/maintenance;
 - to carry forward underspend on projects from one financial year to the next;
 - to hold monies received by the Council on which there are restrictions placed as to how those monies may be spent; and
 - for any other reason which the Council may, from time to time and on the advice of the RFO, consider appropriate.
5. Earmarked reserves shall only be used for the purpose(s) for which they have been created.
6. Unless there is good reason otherwise, the Council shall neither establish nor maintain an earmarked reserve of less than £2,000.

7. The Council shall maintain one general reserve for the following purposes:

- to hold monies which are not earmarked for any specific purpose but which are set aside to deal with unexpected events or emergencies; and
- to iron out the short term effects of uneven cash flows.

8. The amount of the general reserve shall not be fixed but, subject to day to day fluctuations, shall normally be maintained at an amount which approximates to one half of the Council's budgeted expenditure in any year.

Transfers between reserves

9. The Council may at any time approve transfers between the general reserve and one or more earmarked reserves or between one or more earmarked reserves.

Review of reserves by the Council

10. The level and adequacy of reserves shall be reviewed by the Council at the following times:

- when considering the financial budget for the following financial year;
- when considering the Council's annual accounts and annual return;
- when considering the financial statements for the first six months of the financial year; and
- at any other time it thinks fit.

11. At each review under paragraph 10 the RFO shall provide a report which should:

- include a schedule showing (i) the movements on every reserve since the beginning of the financial year, and (ii) the current balance on every reserve;
- include a forecast of the likely movements on every reserve between the date of the review and the end of the financial year, taking into account known actual or budgeted future financial transactions;
- explain the reason for maintaining, and the estimated timescale during which it will be necessary to maintain, each earmarked reserve;
- confirm the adequacy or otherwise of the general reserve;
- make recommendations for the creation or deletion of any earmarked reserve; and
- make recommendations for transfers between reserves;

12. Every report considered by the Council under paragraph 11, together with any revisions thought appropriate, shall be affirmed by a resolution of the Council.

Principles for the establishment and maintenance of reserves

13. A considerable degree of professional judgment is required in making any financial assessment and members of the Council have a duty to provide help and guidance to the RFO in making assessments relating to the establishment and maintenance of reserves.
14. The adequacy of reserves should be assessed having regards to the Council's budgets and its medium and longer term financial plans.
15. The adequacy of reserves should be assessed having regards to the strategic, operational and financial risks facing the Council.
16. As well as being used to ensure good financial stewardship by the Council, the determination of the Council's reserves will be consistent with meeting the following objectives:
 - improving the quality of the Parish's amenities;
 - promoting the Parish and encouraging inward investment and visitors
 - strengthening the quality of the village community; and
 - optimising the Council's administrative costs, assets and income from its assets