FORDHAM PARISH COUNCIL

FINANCIAL RESERVES POLICY

1. Purpose.

Fordham Parish Council (the Council) is required to maintain adequate financial reserves to meet the needs of the Parish. 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. The Local Government Finance Act 1992 does not detail a standard level of reserves for Parish Councils.

It is the responsibility of the Clerk/Responsible Financial Officer to advise the Council about the level of Reserves and to ensure procedures are in place for the establishment and use of the Reserves.

2. Types of Reserves

The types of Reserves that can be held by Fordham Parish Council can be categorised as 'General' or 'Earmarked'.

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

ii. Earmarked Reserves – set up with a purpose for the funds, for example, money earmarked for particular developments or trading reserves for future investment.

3. General Reserves.

The level of General Reserves is matter of judgement for the Council, however, Fordham Parish Council intends to keep General Reserves at a level of twelve months of precept income.
If the balance is drawn down, replenishment will be provided for in the next annual budget.

If in extreme circumstances the General Reserves were exhausted due to unforeseen spending pressure within a particular financial year, the Council would be able to draw down from its Earmarked Reserves to provide short-term resources. However, this has to be with the agreement of the full council.

4. Earmarked Reserves.

Earmarked Reserves will be established either on a 'needs' basis or when funds are provided with restrictions of the use of the funds.
Any decision to set up an Earmarked Reserve must be given by the full council and be supported by the Finance Committee.

The Council will be required to consider the following when making recommendations for each reserve:

A) The reason/purpose of the reserve
b) How and when the reserve can be used
c) Procedures for the reserves management and control

d) A process and timescales for review of the reserves to ensure continuing relevance and adequacy.

Expenditure from Earmarked Reserves can only be authorised by the full council.

Earmarked Reserves will be recorded by the Parish Clerk/Responsible Financial Officer and reported to the full council and Finance Committee monthly.

Agreed Proposal for Earmarked Reserves
The following balances will be moved to Earmarked Reserves (from Fordham Parish Council funds).

CIL Receipts
Monies received from Section 106 agreements. Funds to be used to provide community and social infrastructure for the village.

Project Reserve
Allocation of surplus reserves. Funds to be used for identified projects around the village and ad hoc community projects.

Elections
Funds allocated from general reserves. To be used for the covering of election expenses in relation to Fordham Parish Council.

Finance Work Party

Date Adopted: …….

Signed: ……..

Print Name: …….

Policy to be reviewed on: ……

Full Council

Date Adopted: ……

Signed: ……..

Print Name: …….

Policy to be reviewed on: ……