FINANCIAL RESERVES POLICY

INTRODUCTION

Granborough Parish Council is required to maintain adequate financial reserves to meet the needs of the organisation. 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. However, there is no specified minimum level of reserves that an authority should hold, and it is the responsibility of the Responsible Financial Officer (RFO) to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use.

TYPES OF RESERVES

Granborough Parish Council's budget includes General Reserves and Earmarked Reserves.

- General Reserves include a Cash Flow sum, comprising a quarters' bills, and an Emergency Fund to cushion unexpected expenditure arising from an emergency. 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 cases of unexpected events or emergencies.
- Earmarked Funds are set aside on a "needs" basis, in line with anticipated requirements. These reserves should not be held to fund on-going expenditure but are set aside towards future projects such as building a fund to purchase expensive equipment or services. Granborough Parish Council have utilised Earmarked funds to build a reserve for purposes such as play area refurbishments and war memorial restoration costs.

BUDGET SETTING PROCESS

Granborough Parish Council formally reviews expenditure against budget at the October meeting. Spending against budget is assessed, future spending is forecast, a financial year end balance is predicted, and any corrective budget actions are agreed.

This is followed by an informed Budget Setting meeting, at which the cash flow reserves are determined by adding an inflation led increase, to current bills. The figure is then divided by four, to decide the quarters cash flow reserve for the following financial year.

The emergency fund is considered based on the perceived level of risk for the upcoming year. Often this amount is static from one year to the next.

Earmarked Funds are determined by considering future projects, maintenance, and requirements. The Council may accumulate Earmarked Funds over the course of several years, to afford a forecasted future cost.