



FISHGUARD AND GOODWICK TOWN COUNCIL FINANCIAL RESERVES POLICY

1: Introduction

The Council is required, under statute, to maintain adequate financial reserves to meet the needs of the organisation. Section 50 of the Local Government Finance Act 1992, requires that billing and precepting authorities in England and Wales have regard to the level of reserves needed to meet estimated future expenditure when calculating the budget requirement.

The Council has determined to follow the advice set out in the Governance & Accountability for Local Councils in Wales – A Practitioners Guide (2019 Edition) jointly published by One Voice Wales and the Society of Local Council Clerks.

The Council will hold reserves for two main purposes. Firstly, for unforeseen expenditure or emergencies, to avoid unnecessary borrowing (General Reserves). Secondly, as a means of building up funds (earmarked reserves), to meet known or predicted requirements, such as a specific capital investment project. Earmarked funds are accounted for separately from the General Fund in the accounts.

2: General Reserves

It is generally accepted that un-earmarked revenue reserves usually lie within the range of three to twelve months of gross expenditure. The council therefore shall endeavour to hold general reserve balances in this range at the financial year end. Any surplus above this may be used to fund capital expenditure and be appropriated to earmarked reserves or used to limit any increase in the precept. This is subject to approval by Full Council.

3: Earmarked Reserves

Earmarked Reserves represent amounts that are generally built up over a period of time, which are earmarked for specific items of expenditure to meet known or anticipated liabilities or projects. The 'setting aside' of funds to meet known, future expenditure, reduces the impact of meeting the full expenditure in one year.

The Council, when establishing an earmarked reserve, will set out the reason/purpose of the reserve, also how and when the reserve can be used. On any unused earmarked reserves following the delivery or cancellation of a project, a decision will be made by Full Council on re-allocating the balance to another account or transferring it to the General Reserve account.

4: Governance

The level of reserves will be reviewed by the Finance Committee as part of the annual budget setting process

No movement for the earmarked or general reserves, will be actioned without the approval of the Full Town Council.

Date Adopted: 2nd February 2024

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