

Cyngor Cymuned Mostyn Mostyn Community Council



MOSTYN COMMUNITY COUNCIL FINANCIAL RESERVES POLICY

Introduction

1.1 The Community Council is required by statute to maintain financial reserves sufficient to meet the needs of the organisation and in addition has statutory limitations on how it spends certain receipts which it must ensure are accounted for separately to the council's general funds.

1.2 Whilst there is no statutory minimum (or maximum) level of reserves, the council has no power to hold revenue reserves other than those for reasonable working capital needs or specific earmarked purposes.

1.3 The Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide, which sets out the 'proper practices' for how the council must maintain its accounts, recommends that the minimum level of general reserves should be between three and twelve months of net revenue expenditure.

1.4 The council's Internal and External Auditors review the council's reserves and their justification annually.

1.5 This policy sets out how the council will manage its reserves.

General Reserve

2.1 The general reserve is not ringfenced (earmarked) for any specific expenditure. Its purposes is to smooth the impact of uneven cashflow or cover unexpected/emergency expenditure. It is not intended to fund on-going expenditure.

2.2 The general reserve will be replenished as part of the budget process in any year where it has been utilised for unexpected/emergency expenditure.

2.3 The council will hold a general reserve of at least 25% of its net revenue expenditure NRE this is the difference between its budgeted income and expenditure less any budgeted capital expenditure, expenditure from earmarked reserves and budgeted transfers to reserves.

Earmarked Reserves

3.1 The council may establish ringfenced (earmarked) reserves for any reason where it reasonably believes it may incur expenditure in the future.

Carry Forward Reserve

4.1 There will be occasions where the council commits to expenditure from its current year budget but does not spend/incur the debt during the financial year.

4.2 Where this occurs, the corresponding budget will be transferred to the Carry Forward Reserve at year end and a corresponding entry entered into the committee's EMR budget for the following financial year.

Review and Variation to Policy

5.1 Where it determines there is justification for doing so, the Council may make decisions which are at variance to this policy.