

BELPER TOWN COUNCIL

Policy on Financial Management and Reserves

Introduction

The purpose of this Policy is to outline the process by which the Council manages its finances, including the determination of its reserves in the short, medium and long term. The Council recognises that decisions regarding spending priorities, contingencies, long term projects, the level of the annual precept and reserves are all interconnected and cannot be viewed in isolation.

This Policy should be read in conjunction with the Council's adopted Financial Regulations, in particular paragraphs 2 and 3 and the Council's Standing Orders, in particular paragraphs 19 and 20.

Reporting and decision making process

Although robust financial management is a continuous process the annual cycle can best be described as follows:

Budget setting process

1. The Clerk / Responsible Financial officer (RFO) review the current financial forecast report (see step 5) and taking into account the future plans of the Council will prepare a first draft of the Budget for the forthcoming financial year (including implied precept figure) for the October meeting of the Finance Working Party.
2. The Finance Party will review the report and consider all future short, medium and long term spending plans before deciding on an appropriate level of precept to recommend to the Full Council.
3. The RFO will prepare a revised budget report for the December/January meeting of the Full Council at which the budget and the annual precept will be approved.

On-going financial monitoring

4. Monthly expenditure reports will be prepared for each Full Council meeting (August's expenditure schedule will be reported to the September meeting).
5. Quarterly Financial Management Reports will be presented to the Finance Working Party (in a broadly similar format to ensure consistency). A key component of each report will be a forecast of expected income / spending

for the current year on a line by line basis. The forecast incorporates the latest information available to the Council that has an effect on its anticipated income / spending for the year.

6. The Financial Management Report will also include a rolling five year plan to allow the Council to incorporate future/ long term projects into its financial planning.
7. Year end accounts will be prepared in conjunction with the Annual Return prepared for the external auditor.

Council decision making process

8. The principal financial decisions of the Council are taken at the December / January meeting (see step 3), including the precept request for the forthcoming year and approval of the Budget. Once this decision has been taken there is only limited scope to vary expenditure in the short term (see 'Dealing with Uncertainty' below).
9. Throughout the year Full Council can make decisions that affect short, medium and long term spending plans. These decisions feed into the financial management process (steps 1 to 6).

Dealing with Uncertainty

The Council recognises that it faces uncertainty regarding its ability to forecast income and expenditure accurately. This uncertainty is mitigated in the following manner:

- Regular forecasts allow the identification of deviations from the budget.
- The provision of an annual contingency allows for medium level expenditure for repair and replacement of assets that cannot be predicted with certainty.
- An adequate level of reserves allows expenditure to exceed that planned in the short and medium term.

Reserves Policy

1. 'Total Reserves' consist of 'General Reserves' and 'Specific Reserves'.
2. The target level of closing General Reserves will be within the range of 30% - 60% of the precept for the year. The Council will ensure its medium term forecasts are consistent with this target when approving its budget for the year.
3. Specific Reserves are to be created only for items in the following categories:

- A long term build up of funds to replace / renew assets (such as the Council's Vehicles) at an unspecified time.
 - Items that require specific expenditure at a determinable time later than that covered by the annual budget.
4. The creation of a Specific Reserve should be for clearly identifiable expenditure items and needs Full Council approval.