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PENTYRCH COMMUNITY COUNCIL



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Reserves Policy

Background from Governance and Accountability for Local Councils in Wales - A Practitioners' Guide

When councils spend less money than they receive in a year, they create a surplus. The council holds these surpluses as reserves.

A council needs to hold some reserves to make sure it can pay for unexpected events and to make sure it has enough money to pay bills until it receives income. Unless it has specific plans for future spending, councils should only hold reserves to provide a reasonable balance.

Councils have no legal powers to hold revenue reserves other than those for reasonable working capital needs or for specifically earmarked purposes. Earmarked reserves, which are set aside for specific purposes and for savings for future projects, should be realistic and approved by the Council. It is generally accepted that general (un-earmarked) revenue reserves usually lie within a range of three to twelve months of revenue expenditure. However, the amount of general reserve should be risk assessed and approved by the Council.

For example, an unexplained increase in precept of say 20%, which is not matched by a corresponding increase in expenditure, requires an explanation. Conversely, a 50% rise in annual precept with a corresponding increase in balances that is explained as being, say, the first of a number of budgeted annual contributions to an earmarked reserve for the planned rebuilding of a village hall, may well be accepted by the auditor as being reasonable and requiring no further action.

The disclosure of reserves reflects the historic financial position as at the end of the accounting period. Further analysis by local councils into designated or undesignated reserves is optional and should only be presented as note to the accounts.

PCC Reserves Policy

1. To maintain a General Reserve of a minimum of 25% and maximum of 30% of its revenue expenditure and to consider a plan of action if those limits are not met.
2. To consider the level of General Reserves and all necessary Ear-marked Reserves during budget setting.
3. To review each Ear-marked Reserve during budget setting and decide whether to continue it.
4. To review all reserves quarterly.
5. To maintain all Ear-marked Reserves in the Co-Operative Bank Deposit Account at a sum equal to all Ear-marked reserves.
6. Any expenditure from Ear-marked Reserves to be recorded in the Minutes.

Adopted April 15 2019.

Reaffirmed September 21 2020