

PERSONNEL POLICY AND FINANCE COMMITTEE – 11 JUNE 2026

AGENDA ITEM 5i) – FINANCE – DRAFT BUDGET SETTING PAPER (AUDIT WALES)

Audit Wales has specifically requested an explanation of budget setting, reserves and budget monitoring, and so they will be looking for evidence that the Council has complied with the principles set out in the *Governance and Accountability for Local Councils in Wales – A Practitioner's Guide* rather than a lengthy narrative.

A concise paper (2-4 pages) that explains:

- How the annual budget is developed.
- How reserves are considered as part of the budget process.
- How the precept is calculated.
- How income and expenditure are monitored during the year.
- How Members receive assurance that expenditure remains within approved budgets.
- How earmarked reserves are established, used and reviewed.

The paper should describe the Council's actual process rather than simply quote guidance.

The format set out below is proposed as a suitable for submission to Audit Wales. This will be provide relevant examples and references to approval process via the recommendation from the PPF Committee to Full Council, which also receives the full accounts each month.

Haverfordwest Town Council

Budget Setting, Reserves and Budget Monitoring Arrangements Financial Year 2025/26

Introduction

This paper explains Haverfordwest Town Council's arrangements for budget setting, management of reserves and monitoring of income and expenditure. These arrangements are designed to support compliance with the Accounts and Audit (Wales) Regulations, the Council's Financial Regulations and the principles contained within the *Governance and Accountability for Local Councils in Wales – A Practitioner's Guide*.

1. Budget Setting Process

The Council prepares and approves an annual budget before setting its precept for the forthcoming financial year.

The budget-setting process includes:

- Review of the current year's actual income and expenditure.
- Consideration of projected expenditure commitments for the forthcoming year.
- Assessment of contractual obligations, staffing costs and known inflationary pressures.
- Consideration of planned projects and service delivery objectives.

- Review of anticipated income from sources other than the precept.
- Review of reserve levels and future funding requirements.

Budget proposals are prepared by the Clerk(s) and Responsible Financial Officer and considered by Members through the Council's budget approval process.

The final budget and precept are approved by resolution of Full Council.

2. Consideration of Reserves

As part of the annual budget process, Members review both General Reserves and Earmarked Reserves.

General Reserve

The General Reserve provides working balances to support cash flow requirements and to mitigate unforeseen expenditure or emergencies.

The adequacy of the General Reserve is considered annually having regard to:

- The size of the Council's budget.
- Financial risks facing the Council.
- Cash flow requirements.
- Potential unforeseen liabilities.

Earmarked Reserves

Earmarked Reserves are established by Council resolution for specific future purposes.

Examples include:

- Property maintenance.
- Capital projects.
- Election costs.
- Community initiatives.
- Asset replacement programmes.

Each reserve is reviewed as part of the annual budget process to ensure that:

- The purpose remains valid.
- The level of funding remains appropriate.
- Planned expenditure remains achievable.
- Any unused balances continue to be justified.

The Council receives regular information regarding movements on earmarked reserves throughout the year.

3. Calculation of the Precept

The precept requirement is determined after taking account of:

- Total planned expenditure.
- Expected income from other sources.
- Planned use of reserves where appropriate.

The precept is therefore calculated as the funding required to support the approved budget after allowing for all anticipated income and approved reserve movements.

Council formally approves the precept demand prior to submission to Pembrokeshire County Council.

4. Budget Monitoring During the Year

Income and expenditure are monitored throughout the financial year using the Council's Scribe Finance accounting system.

Budget monitoring reports are presented regularly to Members and include:

- Approved budget.
- Actual expenditure and income (on a monthly and year to date basis).
- Variances against budget.
- Forecast year-end position, where appropriate.

Members can review financial performance and seek explanations for significant variances.

Where expenditure pressures emerge during the year, Council may:

- Approve virements between budget headings.
- Utilise approved earmarked reserves.
- Adjust spending plans.
- Consider budget implications for future years.

All significant financial decisions are recorded within Council minutes.

5. Financial Reporting to Members

Members receive regular (usually monthly) financial information during the year including:

- Income and expenditure reports.
- Bank reconciliation information.
- Budget monitoring reports.
- Earmarked reserve balances and movements.
- End-of-year financial statements.

These reports assist Members in discharging their responsibility for stewardship of public funds and maintaining effective financial control.

6. Assurance and Internal Control

The Council's arrangements for budget setting, reserve management and budget monitoring form part of its wider system of internal control.

The effectiveness of these arrangements is supported through:

- Financial Regulations.
- Member oversight, which includes specific time allocated to sample checks of payments by the Chair or Vice Chairman of the Finance Committee, in lieu of a member counter approval to payments made via online banking (procedure is set out in the Financial Regulations)
- Regular financial reporting.
- Independent Internal Audit review.
- Annual review of internal controls.
- External Audit (Audit Wales).

The Council considers that these arrangements provide an appropriate framework for the planning, management and monitoring of public funds.

Recommendation

The Committee is invited to consider the enclosed budget paper and recommend to Full Council that the Town Clerk finalise the document, incorporating any amendments agreed by the Committee, for approval by Council by 30 June 2026.

Vanessa Lewis Camacho
June 2026