Postwick with Witton Parish Council Reserves Policy

1. Purpose

1.1 Postwick with Witton Parish Council is required to maintain adequate Financial Reserves to meet the needs of the Parish Council. Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to have regard to the level of Reserves needed for meeting estimated future expenditure when calculating the budget requirement.

1.2 Local Councils have no legal powers to hold revenue reserves other than for reasonable working capital or for specifically earmarked purposes. It follows that the year-end General Reserve should not be significantly higher than the annual precept. If the amount of reserves at the year-end are above a certain level in relation to the annual precept the council must give an explanation of the reserves held to the Auditor.

1.3 There is no specified minimum level of reserves that an authority should hold, and it is the responsibility of the Responsible Financial Officer (RFO) to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use. The purpose of this policy is to set out how the Council determines and reviews the level of reserves.

2. Types of Reserve

2.1 The council holds 3 types of reserves categorised as: General Reserves, Earmarked and Ring Fenced:

- General Reserves – held to cushion the impact of uneven cash flow or unexpected events.
- Earmarked Reserves – held for specific purposes; generally, cannot be transferred, such as grants allocated for a particular project, which may not be used for any other purpose. The Responsible Financial Officer will keep a schedule of reserves held at the year-end within the council's accounts.
- Ring-Fenced Reserves – funds that are legally or formally allocated for specific projects or purposes, and cannot be used for any other activity unless formally reallocated.

3. General Reserves

3.1 General Reserves do not have any restrictions as to their use. These reserves can be used to smooth the impact of uneven cash flows, offset budget requirements if necessary or can be held in case of unexpected events or emergencies.

3.2 The primary means of building the General Reserve is through an allocation in the annual budget.

3.3 Approval of the full council is required to move funds from the General Reserve.

3.4 The level of financial reserves held by the council will be agreed by the council during the discussions held regarding the setting of the budget for the next financial year.

3.5 Guidance states that 'a council should typically hold between 3- and 12 months expenditure as a general reserve' (Good Councillor's Guide on Finance & Transparency).

3.6 Postwick with Witton Parish Council have decided that general reserves of 100% of the annual precept will be held.

4. Earmarked Reserves

4.1 Earmarked Reserves will be established on a "needs" basis in line with anticipated requirements to meet known or predicted liabilities.

4.2 Any decision to set up a reserve must be made by the Council.

4.3 Expenditure from earmarked reserves can only be authorised by the full council at a Parish Council meeting 'except where it is less than £5000 which can be authorised by a subcommittee in accordance with its Terms of Reference'.

4.4 All Earmarked Reserves are recorded within the council's accounts and held by the Responsible Financial Officer which lists the various Earmarked Reserves and the purpose for which they are held.

4.5 Earmarked Reserves must be reviewed at the annual budget setting meeting.

4.6 Sums can be moved between earmarked reserve headings, by council resolution only, should the need arise or should priorities change. The council may hold Earmarked Reserves in the following categories:

- Carry forward of underspend, where some expenditure is budgeted for projects but not spent in that financial year. Reserves are used as a mechanism to carry forward these resources.
- Reserves built up over a time period, for example, to pay for an election. The setting aside of funds over a period of time to meet known future expenditure reduces the impact of meeting the full expenditure in one year. There is no statutory upper limit save that they must be held for genuine and intended purposes.

3. Ring-Fenced Reserves

3.1 Ring-fenced reserves are funds that are legally or formally allocated for specific projects, areas, or purposes, and cannot be used for any other activities.

3.2 These reserves are established when there are particular requirements or commitments, such as grants or contributions, which stipulate the use of the funds for precise objectives.

3.3 The decision to create or utilise ring-fenced reserves must be approved by the full council to ensure proper governance and accountability.

3.4 The amounts and purposes of ring-fenced reserves are documented and recorded within the council's financial records, ensuring transparency and compliance with any legal or grant conditions.

3.5 Regular reviews of ring-fenced reserves are conducted to ensure they are being used appropriately and remaining funds are aligned with the specified purposes.

3.6 The council commits to maintaining such reserves only for their designated purposes, and unspent funds will be retained until the specific objectives are met or the reserve is formally reallocated.

5. Reserves held by Postwick with Witton Parish Council are:

- Neighbourhood plan grants - funds received through grants, specifically allocated for developing the local neighbourhood plan. These reserves are ring-fenced to cover expenses such as consultancy fees, community engagement, and document production related to the plan's creation.
- Community Infrastructure Levy – Regulation 59C specifies that a local council must use CIL receipts to support the development of its area by funding:
  a) the provision, improvement, replacement, operation, or maintenance of infrastructure; or
  b) any other activity that addresses the demands that development places on the area.
- Other reserves - These may include donations or grants allocated for specific items or events, which are received and utilised during the year for designated purposes.

Reviewing the Council's Financial Risk Assessment is part of the budgeting and year end accounting procedures and identifies planned and unplanned expenditure items and thereby indicates an appropriate level of Reserves. Reserves should not be held to fund ongoing expenditure. This would be unsustainable, as at some point the reserves would be exhausted. If reserves are used to meet short term funding gaps, they must by replenished in the following year. However earmarked or ring-fenced reserves that have been used to meet a specific liability would not need to be replenished, having served the purpose for which they were originally established