

Twywell Parish Council

Reserves Policy

Introduction

Twywell Parish Council is required to maintain adequate financial reserves to meet the needs of the Parish Council. Sections 32–33 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.

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 is above a certain level in relation to the annual precept, the Council must give an explanation of the reserves held to the auditor.

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.

Level of Reserves

The Joint Panel on Accountability and Governance (JPAG) Practitioner's Guide (March 2025 edition) advises that the appropriate minimum level of a smaller authority's General Reserve should be maintained at between three and twelve months of net revenue expenditure (NRE). The smaller the authority, the closer to twelve months this level should be.

It is the responsibility of the Clerk/Responsible Financial Officer, through the annual risk assessment, to advise the Council about the level of reserves Twywell Parish Council should be holding.

Management and Control of Reserves

Movement of reserves will be agreed at Twywell Parish Council meetings, and decisions will be recorded in the minutes.

Types of Reserve

Twywell Parish Council categorises its reserves as General Reserves, Earmarked Reserves, and Ringfenced Reserves.

General Reserves

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

The primary means of building the General Reserve is through an allocation in the annual budget. Approval of the full Council is required to move funds from the General Reserve.

The level of financial reserves held by the Council will be agreed during budget-setting discussions for the next financial year. Guidance states that a council should typically hold between three and twelve months' expenditure as a General Reserve (Good Councillor's Guide on Finance and Transparency).

Earmarked Reserves

Earmarked Reserves will be established on a needs basis in line with anticipated requirements to meet known or predicted liabilities and will be reviewed annually when the budget is agreed. Any decision to establish an

Earmarked Reserve must be approved by the Parish Council.

If Earmarked Reserves are used to meet short-term funding gaps, they must be replenished in the following financial year. Where an Earmarked Reserve has been used to meet a specific liability, it does not need to be replenished once that purpose has been fulfilled.

Expenditure from Earmarked Reserves can only be authorised by the full Council at a Parish Council meeting. All Earmarked Reserves are recorded within the Council's financial records and maintained by the Responsible Financial Officer.

Sums may be transferred between Earmarked Reserve headings by Council resolution should priorities change. Where the purpose of an Earmarked Reserve becomes obsolete or overfunded, the excess may be transferred to General Reserves or other Earmarked Reserves, subject to Council approval.

Ringfenced Reserves

Ringfenced Reserves are held for one specific purpose and cannot be transferred for other uses. The Responsible Financial Officer will maintain a schedule of Ringfenced Reserves held at the year-end.

Community Infrastructure Levy (CIL)

CIL Regulation 59C requires a local council to use CIL receipts to support the development of its area by funding the provision, improvement, replacement, operation, or maintenance of infrastructure, or anything else concerned with addressing the demands that development places on the area.

Section 106 Developer Contributions

Funds received through planning obligations arising from new housing developments.

Other Ringfenced Funds

Including grants or donations received for a specific purpose.

Policy Control Sheet

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