

# Wortwell Parish Council

## Financial Reserves Policy

**Adopted: July 2024**

**Updated: January 2025**

**Review Due: July 2027**

### Introduction

The Council is required, under statute, to maintain adequate financial reserves to meet the needs of the organisation. The purpose of this policy is to set out how the Council will determine and review the level of reserves.

It is the responsibility of the Responsible Financial Officer to follow current best practice and advise the Council about the level of reserves, and to ensure that there are key protocols for their establishment and use, whilst ensuring there are procedures to follow.

The Council's policy on the establishment, maintenance and adequacy of reserves and balances will be considered annually.

### Types of Reserves

#### General Reserves

The Joint Panel on Governance and Accountability states that a council's minimum level of general reserves should be maintained at between three and twelve months of net revenue expenditure. The smaller the authority, the closer the figure may be to twelve months expenditure, the larger the authority, the nearer to three months. In practice, any authority with income and expenditure in excess of £200,000 should plan towards three months equivalent general reserve.

General reserves are funds which do not have any restrictions placed upon them as to their use.

The level of General Reserves shall be reviewed on an annual basis during the annual budgetary review and agreed by the Parish Council. The minimum level of General Reserves shall be recommended to the Parish Council by the Responsible Financial Officer. This will form part of the recommendations for the Annual Budget and Precept request by the Parish Council.

The Council will hold reserves for these four main purposes:

1. A **working balance** to help cushion the impact of uneven cash flows, such as the time lag between the start of the new financial year and the receipt of the first precept payment and the upfront payment of VAT prior to reclaiming.
2. A **contingency** to cushion the impact of uneven cash flows, offset budget requirements, if necessary, or can be held in case of unexpected events or

emergencies.

### 3. Earmarked Reserves

Earmarked Reserves are held for several reasons and shall only be used for the purpose for which they were created, for example: -

- A means of building up funds, to meet known or predicted requirements e.g., play equipment
- Money held for specific purposes such as CIL (Community Infrastructure Levy),
- Money pledged but payments unmade

Any decision to set up an Earmarked Reserve must be made by the Parish Council, and these are to be reviewed annually when the budget is agreed.

Where the purpose of an Earmarked Reserve becomes obsolete, or where there is an over-provision of funds, the excess may, on the approval of the Parish Council, be transferred to other budget headings within the revenue budget or to General Reserves or to one or more other Earmarked Reserves.

4. **Ring Fenced** reserves are for money or grants for a specific project only e.g., Fencing.

The determination of the Council's reserves will be consistent with meeting the Council's overall aspirations: i.e.,

- Maintaining and improving the quality of the Parish's amenities
- Strengthening the quality of its community
- Highway matters
- Optimising the Council's administrative costs, assets and income from its assets

Notes to the Annual Accounts will detail the movement of reserves during the financial year.

The Council's specific requirements are detailed on Appendix 1

## Appendix 1

### Working Balance (part of general reserve)

The Council has considered the need for a working balance for 2025/26:

|              | Use                                                                           | Budget |
|--------------|-------------------------------------------------------------------------------|--------|
| Cash Flow    | To enable the payment of invoices prior to the receipt of the precept payment | £5,500 |
| VAT payments | The payment of VAT prior to reclaim                                           | £ 500  |
| Total        |                                                                               | £6,000 |

### Contingency

The Council has considered the need for a contingency for 2025/26:

|                       | Use                                                       | Budget |
|-----------------------|-----------------------------------------------------------|--------|
| Parish Council Assets | To cover unexpected maintenance costs                     | £3193  |
| Unexpected costs      | To cover the cost of unexpected events or community needs | £ 500  |
| Total                 |                                                           | £3693  |

### Earmarked Reserves

Earmarked reserves allocated for financial year 2025/2026:

Repairs and Renewables £1700

Grants & Donations £230

Fence fund £1700 + brought forward £8,000

Any further earmarked reserves identified before the year end will be shown in the end of year accounts.

### Ring Fenced reserves

Work towards a Fence fund £25000