WESTERLEIGH & COALPIT HEATH RESERVES POLICY

1. Introduction

This policy was first approved by Westerleigh & Coalpit Heath Parish Council on 21st July 2025 and is reviewed annually in June.

The Council is required, under statute, to maintain adequate financial reserves to meet the needs of the organisation. Section 49A of the Local Government Finance Act 1992 requires that billing and precepting authorities in England and Wales have regard to the level of reserves needed to meet estimated future expenditure when calculating the budget requirement.

In addition there are statutory limitations on how the Council spends certain receipts, which it must ensure are accounted for separately to the Council's general funds.

Councils have no legal powers to hold revenue reserves other than those for reasonable working capital needs or for specifically earmarked purposes. Therefore, the year-end general reserve should not be significantly higher than the annual precept.

The Council will hold reserves for three main purposes:

(i) A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing,
(ii) A contingency to cushion the impact of unexpected events or emergencies.
(iii) A means of building up funds, to meet known or predicted requirements and projects.

2. General Reserve

This is a balance on the Council's revenue account which is not held for any specific purpose. This reserve can be used to smooth the impact of uneven cashflows or can be held in case of unexpected events or emergencies. The use of it is not restricted.

The level held by the Council for the forthcoming year will be based upon a risk assessment of the Council's main areas of income and expenditure and consider any provisions and contingencies that may be required. This is a matter of judgement.

The SAPPP Practitioner's Guide recommends that the minimum level of general reserves should be between 3 and 12 months of net revenue expenditure. Net revenue expenditure is defined as precept, less amounts included in the precept for loan repayment, capital projects and transfers to reserves.

This Council's policy is that the General Reserve should not exceed the value of the current year's precept.

Any surplus above the required balance may be used to fund capital expenditure, be appropriated to earmarked reserves, or used to limit any increase in the precept.

The use of the General Reserve must be authorised by the Council. If, in extreme circumstances, the General Reserve was exhausted due to major unforeseen spending pressures within a particular financial year, the Council can draw down from its earmarked reserves to provide short-term resources.

The General Reserve will be replenished as part of the budget process in any year where it has been utilised for unexpected/ emergency expenditure.

3. Earmarked Reserves

These are to be set up to meet known or predicted liabilities, for example:

- Projects identified by the Council e.g. replacing buildings, play equipment or street furniture,
- Future maintenance of the Council's rental property (Bitterwell Lake Chalet),
- Future election costs,
- Grant pots and projects funded from community benefit income which must be accounted for separately to the Council's general funds (i.e. Community Infrastructure Levy and the Says Court Solar Farm annual community benefit payment).

The 'setting aside' of funds to meet known future expenditure reduces the impact of meeting the full expenditure in one year.

Current earmarked reserves are listed in the Council's accounting software. The following information is recorded:

- the amount,
- the purpose for which the EMR is held,
- transfers to/ from the EMR,
- expenditure from the EMR.

Earmarked reserves are reviewed at least annually as part of the budget setting process. The Council must approve the setting up of new earmarked reserves, specifying the amount and purpose.