West Itchenor Parish Council

Reserves Policy

1. Introduction

The Council is required, under statue, to maintain adequate financial reserves in order to meet the needs of the organisation. Section 50 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. The Council's policy on the establishment, maintenance and adequacy of reserves and balances will be considered annually.

The Council will hold reserves for these three main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of the general reserves;
- A contingency to cushion the impact of unexpected events or emergencies – this also forms parts of general reserves;
- A means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately but remain legally part of the general fund.

2. General Fund balance

The general fund balance, commonly termed the 'working balance', is a balance on the council's revenue account which is not held for any specific purpose other than to cushion the council's finances against any unexpected short term problems in the councils cash flow.

The general fund balance is to be maintained at a level half of the usual precept.

3. Financial Risk Management

In order to assess the adequacy of the general fund when setting the annual budget, the RFO and the Chair will take account of the strategic, operational and financial risks facing the council. The requirement of the level of the general fund balance for the forthcoming year will therefore be based upon a risk assessment of the council's main areas of income and expenditure and take into account any provisions and contingencies that may be required.

4. Statutory Reserves

For West Itchenor Parish Council, the term **"statutory reserves"** has limited application because the Council does not own significant capital assets, such as land, buildings or other infrastructure that would require long-term replacement funding.

5. Earmarked Reserves

Earmarked Reserves represents amounts that are generally built up over a period of time which are earmarked for specific items of expenditure to meet known or anticipated liabilities or projects. The 'setting aside' of funds to meet known future expenditure reduces the impact of meeting the full expenditure in one year, The Council, when establishing an earmarked reserve, will set out:

- The reason / purpose of the reserve;
- How and when the reserve can be used;
- Procedures for the management and control of the reserve; a process and timescale for review of the reserve to ensure continuing relevance and adequacy. The following are examples of earmarked reserves which can be held by the council:
    - Elections Expenses
    - Office Equipment
    - Consultants and Legal Fees

West Itchenor Parish Council has one 'earmarked reserve' (Sea Wall Project) which has been established by resolution of the Council for a specific purpose. This reserve may only be used for that purpose unless the Council formally resolves to amend or release it.

6. Community Infrastructure Levy (CIL)

Community Infrastructure Levy (CIL) is a planning charge introduced under the Planning Act 2008 and implemented through the CIL Regulations 2010. It enables local authorities in England and Wales to raise funds from developers undertaking new building projects to help deliver infrastructure needed to support growth. The Parish Council receives 15% of the contribution made by the developers. CIL income is ring-fenced for infrastructure provision and cannot be used for general revenue purposes.

- The Parish Council is required to submit projects to Chichester District Council to be included in the Infrastructure Business Plan.
- The Parish Council is required to report annually on CIL spending and income to the District Council.

The Parish Council will review the CIL income and spend annually.

7. Review of the adequacy of balances and reserves

In assessing the adequacy of reserves the strategic, operational and financial risks facing the authority will be taken into account. The level of earmarked reserves will be reviewed as part of the annual budget preparation.