Twywell Parish Council

Reserves Policy

Version 02 – Adopted by resolution of Full Council on 12 November 2026 (minute 26/11/11)

1. Introduction

1.1 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.

1.2 Local councils have no legal power to hold revenue reserves other than for reasonable working capital or for specifically earmarked purposes. Reserves must therefore be justified: the General Reserve is held within the range set in section 3, and any balance above that range must either be earmarked for a stated purpose or explained to the auditor.

1.3 It is the responsibility of the Responsible Financial Officer (RFO) to advise the council on the level of reserves and to make sure there are procedures for their establishment and use.

1.4 This policy sets out how the council decides, holds, uses, reports and reviews its reserves.

2. Roles

2.1 **Full Council** sets the level of reserves when it sets the budget and precept, approves every movement into or out of reserves by resolution, and reviews this policy each year.

2.2 **The Clerk and RFO** advises the council on the level of reserves needed, taking account of the council's Risk Register; keeps the schedules of Earmarked and Ringfenced Reserves (Appendices A and B); and reports on reserves as set out in section 6.

3. Level of the General Reserve

3.1 The Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide (March 2025 edition) advises that a smaller authority's General Reserve should be between three and twelve months of net revenue expenditure (NRE), and that the smaller the authority, the closer to twelve months it should be. The council's Internal Auditor has advised in both 2024/25 and 2025/26 that Twywell's reserves are too low.

3.2 **Twywell's targets.** The council will hold a General Reserve of:

- **Minimum:** three months' NRE, to be reached by 31 March 2028;
- **Target:** six months' NRE, to be reached by 31 March 2030; and
- **Long-term aim:** working towards twelve months' NRE, as advised for a small council.

3.3 For illustration, based on 2025/26 expenditure of £16,829 (AGAR Section 2, boxes 4 and 6), the levels are shown below. The RFO will recalculate them each year from the latest actual and budgeted expenditure.

Level	Months of NRE	Amount (2025/26 basis)
Minimum (by 31 Mar 2028)	3 months	£4,207
Target (by 31 Mar 2030)	6 months	£8,415
Long-term aim	12 months	£16,829

3.4 **Building the reserve.** The General Reserve is built mainly through a planned contribution in the annual budget. Each year's budget will show the contribution needed to stay on course for the targets above. Where the precept alone cannot achieve this, the budget report will say so and set out the options (for example, a phased precept increase or reduced spending).

3.5 If the General Reserve falls below the minimum, the RFO will report this to the next meeting of the council with a plan to restore it, which will be built into the next budget.

4. Types of reserve and how they are controlled

4.1 The council holds three types of reserve: General, Earmarked and Ringfenced. Every movement into or out of any reserve must be approved by Full Council at a meeting and recorded in the minutes.

4.2 **General Reserve.** Has no restriction on its use. It is held to manage uneven cash flow, meet unexpected costs and emergencies, and support the budget if necessary. Full Council approval is required to use it.

4.3 **Earmarked Reserves.** Set aside by council resolution for a known or expected future cost. For each one the RFO will record, in the schedule at Appendix A: its name, purpose, amount, the date and minute of the resolution that created it, and when it is expected to be spent. The schedule will be approved by council each year with the budget.

4.4 If an Earmarked Reserve is used to meet a short-term funding gap, it must be replenished in the following financial year. Where it has been spent on its purpose, it does not need to be replenished. Sums may be moved between Earmarked Reserves, or an obsolete or overfunded Earmarked Reserve returned to the General Reserve, by council resolution.

4.5 **Ringfenced Reserves.** Held for one specific purpose because of a legal requirement or the terms on which the money was received. They cannot be used for anything else. The RFO will keep a schedule at Appendix B and confirm it at each year end. The council's Ringfenced Reserves are:

- **Allotments:** all allotment rent and other allotment income is ringfenced for the provision and maintenance of the council's allotments and will not be used to reduce the precept or meet general spending. Allotment money is council money: any bank account used for it must be in the name of Twywell Parish Council, and its balance must be included in the council's accounts, bank reconciliation and AGAR. Tenants' deposits are held as money owed back to tenants, not as a reserve.
- **Community Infrastructure Levy (CIL):** CIL Regulation 59C requires receipts to be spent on infrastructure, or anything else concerned with addressing the demands that development places on the area.
- **Section 106 developer contributions:** spent only for the purpose set out in the planning agreement.
- **Grants and donations:** spent only for the purpose for which they were given, in line with any grant conditions.

5. Reporting

5.1 The RFO will report the balance of each type of reserve to the council:

- with the budget-versus-actual report at each ordinary meeting;
- when the draft budget and precept are presented, with the General Reserve position against the targets in section 3; and
- at the year end, with the accounting statements, including the confirmed schedules at Appendices A and B.

5.2 Where reserves are high in relation to the precept, the council will give an explanation of the reserves held to the external auditor with the AGAR.

6. Review

6.1 This policy will be reviewed every year when the budget is set, and in any case by the Annual Meeting of the council. The next review is due by May 2027.

7. Policy control

Version	02
Supersedes	Version 01, adopted by Full Council on 7 May 2026

Reason for revision	Review resolved at the extraordinary meeting of 30 July 2026 (item 1.3); Internal Audit and AGAR Action Plan 2025/26, actions 2.1, 6.2, 6.4 and 6.5
Approved by	Twywell Parish Council
Date approved / minute ref	12 November 2026 / 26/11/11
Next review	With the 2027/28 budget, and by May 2027 at the latest
Policy owner	Clerk and Responsible Financial Officer

Signed: _____ Chair Date: _____

Signed:  Clerk Date: 13 November 2026

Appendix A – Schedule of Earmarked Reserves

As at: _____ Approved by council on: _____ Minute ref: _____

Reserve	Purpose	Amount £	Created (date / minute)	Expected use by
Total Earmarked Reserves				

Appendix B – Schedule of Ringfenced Reserves

As at: _____

Reserve	Restriction / source	Amount £	Bank account held in
Allotments	Allotment rent and income; allotments only		
CIL	CIL Regulation 59C		
Section 106	Terms of planning agreement		
Grants / donations	Terms of grant or gift		
Total Ringfenced Reserves			