

TETSWORTH PARISH COUNCIL

FINANCIAL RESERVES POLICY

(Adopted June 2024)

1. **Introduction.** Tetsworth Parish Council maintains financial reserves over and above the funds required to manage its annual budget. These reserves can be divided into three separate types, each held for set purposes, as shown in the following paragraphs.

2. **General Reserve.** A council is required to hold a general reserve to guard against late payment of its precept from the District Council, which funds its budget expenditure, or against any other unforeseen expenditure. It is recommended that this reserve is sufficient to cover three to four months of the planned budget; in 2024, for Tetsworth, this approximates to between £7,700 and £10,300. It is used to ensure that increases in any area of budget expenditure can be covered. As any VAT payable on purchases or services is not included in the annual budget, it is paid from the reserve, which therefore fluctuates as VAT is paid and subsequently reclaimed. The reserve can be carried forward from one year to the next and, to maintain its required level, it may be increased by reallocation of any surplus funds at the end of a particular financial year or by a specified part of the precept for the next. The current level of the general reserve is shown in the Council's monthly financial report, which is published on the Finance section of the Council website. **The Council's Responsible Financial Officer (RFO) may use the general reserve to manage routine budget expenditure and VAT as required; any individual items of unforeseen expenditure not detailed in the planned annual budget must be approved at a meeting of the full Council.**

3. **Community Infrastructure Levy (CIL).** CIL is generated from conditions imposed on developers for construction of certain types of properties and paid to the Council by the District Council. CIL may be carried forward from year to year but must be spent within five years of its allocation or must be returned, and may be spent only on items of infrastructure. The current level of CIL funds held by the Council is also shown in the monthly financial report. **Any expenditure from CIL funds must be approved at a meeting of the full Council.**

4. **Earmarked Funds.** Funds may be earmarked for particular projects, enabling the Council to 'save up' for things that would be too expensive to be funded by a single year's budget. These funds might be generated by transfer from a smaller annual budget line, by grant allocation, by donation, or by transfer of any surplus funds at the end of a financial year. The Council maintains standing earmarked funds for Election Fees, payable every four years when the local elections take place to elect the Council, and for any Legal Fees that might be required. The earmarked funds held by the Council are also shown in the monthly financial report. **The creation of a new earmarked fund and any expenditure from any earmarked fund must be approved at a meeting of the full Council.**