

Witham Town Council – Reserves Policy

This policy sets out Witham Town Council's approach to holding, using and reviewing its financial reserves.

Policy Overview

Witham Town Council is required to maintain adequate financial reserves to meet its current and future obligations, manage risk and support planned investment. The level and purpose of reserves will be reviewed regularly to ensure they remain appropriate, transparent and justifiable.

This policy applies to all revenue and capital reserves held by the Council, including the General Reserve and all Earmarked Reserves.

Purpose of Reserves

The Council holds reserves in order to:

- Provide working balances to smooth the impact of uneven cash flow and unexpected events.
- Provide a contingency for unforeseen expenditure or emergencies.
- Finance one-off and time-limited projects without creating unaffordable pressures on the precept in any single year.
- Build up funds to meet known or predicted future liabilities (for example elections, repairs, renewals and major projects).
- Support delivery of the Council's approved Corporate Strategy and medium-term financial plan.

Reserves will not be used to fund ongoing, recurring expenditure unless plans are in place to replace them within a reasonable period.

Types of Reserve

The Council will normally maintain the following types of reserve:

General Reserve

The General Reserve is an un-earmarked balance held to:

- Cushion the impact of unexpected events or emergencies.
- Provide working capital and smooth cash flow in year.
- Provide short-term cover for timing differences between income and expenditure.

The appropriate level of the General Reserve will be considered each year as part of the budget setting process, taking into account:

- The Council's overall risk profile and financial risks.
- The scale and nature of its services and assets.
- The level of earmarked reserves and other available mitigations.
- Guidance that parish and town councils typically hold between three and twelve months' net revenue expenditure as a General Reserve.

Where the General Reserve is projected to be significantly above or below the level considered appropriate, the Responsible Financial Officer (RFO) will make recommendations to the Policy & Resources Committee and Full Council on actions to address this.

Earmarked Reserves (EMRs)

Earmarked Reserves are amounts set aside for specific purposes, to meet known or predicted future liabilities or to support agreed priorities. Examples include:

- Asset renewal and major repairs (for example buildings, fleet, equipment).
- Elections and democratic costs.
- Street lighting and environmental improvements.
- Community safety and CCTV.
- Land, facility and community centre improvement.
- Projects identified in the Corporate Strategy and committee work programmes.

Each Earmarked Reserve will have:

- A clear name and stated purpose.
- An opening balance.
- Planned contributions and/or planned use.

Other Reserves and Control Accounts

The Council may also hold other balances and control accounts (for example allotment balances or event balances). These will be managed in line with this policy and the Council's Financial Regulations, and will normally be restricted to the purpose for which they were established.

Governance and Responsibilities

- Full Council is responsible for approving the overall level and purpose of Earmarked reserves as part of the annual budget and precept setting process.
- The Policy & Resources Committee oversees the use and review of reserves during the year and receives regular financial monitoring reports.
- The Town Clerk/RFO is responsible for:
 - Maintaining an up-to-date schedule of reserves.
 - Advising Council and committees on the adequacy and appropriate use of reserves.
 - Ensuring that all movements to and from reserves are recorded in the Council's accounts.

No new reserve may be created, and no change to the purpose of an existing reserve may be made, without a decision of the Council or relevant Committee.

Setting, Using and Reviewing Reserves

Annual Budget Setting

As part of preparing the annual budget and precept:

- The Town Clerk/RFO will review all existing reserves and recommend:
 - Contributions to reserves for the forthcoming year.
 - Planned use of reserves to support agreed projects or liabilities.
 - Any reserves to be closed or repurposed.
- The Estimates Committee will consider these recommendations and make proposals to Full Council.
- Full Council will approve the schedule of reserves alongside the budget and precept.

In-Year Use of Earmarked Reserves

- Expenditure from Earmarked Reserves must be authorised by the relevant committee or Full Council, in line with Financial Regulations and any specific conditions attached to the reserve.
- Where an Earmarked Reserve is to be used for a purpose that is materially different from its original intention, this must be agreed by Full Council or the relevant committee.

Transfers Between Reserves

- Transfers between Earmarked Reserves, or between Earmarked Reserves and the General Reserve, will only be made following a formal decision of Full Council or the relevant committee.
- Any proposed transfer should be supported by a brief explanation of the reason and its impact on financial risk and future plans.

4.4 Year-End Review

At year-end, as part of the closure of accounts:

- The Town Clerk/RFO will prepare a statement of reserve movements and closing balances.
- Full Council will approve the final reserves position as part of the annual accounts and Annual Governance and Accountability Return (AGAR).

Where reserves are considered no longer required for their original purpose, they may be returned to the General Reserve or re-designated for an alternative purpose by Council.

Transparency and Reporting

The Council will ensure that:

- The schedule of reserves (opening balance, movements and closing balance) is reported at least annually to Policy & Resources Committee and Full Council.
- Updated information on total reserves and their broad purposes is made available to residents, for example through:
 - Budget reports and the Corporate Strategy.
 - The Council's website and/or Annual Report.
- Any significant change in the level or use of reserves is explained in budget reports and, where appropriate, in precept communications.

Adopted: 23rd March 2026

Next review date: March 2029

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