



Financial Reserves Policy

1. Background

- 1.1 Diss Town Council, in accordance with statutory obligations, must maintain sufficient financial reserves to meet organisational needs. Section 50 of the Local Government Finance Act 1992 mandates precepting authorities to consider reserve levels when calculating the budget. While no specific minimum or maximum is stipulated
- 2.1 Diss Town Council has established a minimum 4-5 month target for general reserves.

2. Legislative/Regulatory Framework

- 2.1 Section 114 of the Local Government Finance Act 1988 requires the Responsible Finance Officer to report unlawful expenditure or an unbalanced budget to the council.
- 2.2 Sections 26 and 27 of the Local Government Act 2003 outline-controlled reserve levels, and the Use of Resources assessment includes maintaining reserves within the agreed policy.

3. Role of the Responsible Finance Officer

- 3.1 The Responsible Finance Officer advises on reserve levels within the statutory framework and ensures clear protocols for their establishment and use.
- 3.2 Whilst the legislation doesn't quantify minimum reserve levels, guidance from the National Association of Local Councils and the Society of Local Council Clerks is considered.

4. Purpose of Reserves

- 4.1 Reserves serve three main purposes at Diss Town Council:
 - Current Fund Account – Lists the precept for the current financial year.
 - General Reserve Account – Cushions uneven cash flows, preventing unnecessary temporary borrowing.
 - Earmarked Reserves Account – Specific funds for known or predicted liabilities, with clear protocols for their management.
- 4.2 For each Earmarked Reserve held, there should be a clear protocol setting out:
 - The reason for/purpose of the reserve
 - How and when the reserve can be used
 - Procedures for the reserve's management and control
 - A process and timescale for review of the reserve to ensure continuing relevance and adequacy.

5. Principles to Assess Adequacy

- 5.1 Key financial assumptions, budget considerations, and financial management arrangements inform reserve levels.
- 5.2 The minimum level of General Reserves is annually reviewed during the budget process. Earmarked Reserves are reviewed as part of the annual budget preparation and accounts closure.

5.3 External auditors recommend a risk-based approach, considering specific budgeted needs and informed judgment.

5.4 Budget Assumptions

- The treatment of inflation and interest rates
- Estimates of the level and timing of capital receipts
- The treatment of demand led pressures
- The treatment of planned efficiency savings/gains
- The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements, or major capital developments
- The availability of other funds to deal with major contingencies and the adequacy of provisions.

Financial Standing and Management

- The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates, etc.)
- The authority's track record in budget and financial management
- The authority's capacity to manage in-year budget pressures
- The strength of the financial information and reporting arrangements
- The authority's virement and end-of-year procedures about budget under/overspends

5.5 The minimum level of General Reserves which is considered appropriate for the Council is reviewed annually as part of the budget process.

6. Reporting Framework

6.1 The Council, guided by the Responsible Finance Officer/Clerk, formally determines reserve levels and utilisation.

6.2 The annual budget report includes statements on general fund balances and Earmarked Reserves, assessing adequacy.

7. Reserve Criteria

7.1 The Current Fund Reserve comprises the current year's precept.

7.2 The General Reserve should maintain a 4-5 months amount of precept for cash flow and contingencies.

7.3 Earmarked Reserves are specified for council-approved projects.

7.4 Total assets should never be less than total liabilities, and an annual risk assessment determines the contingency reserve level.

8. Community Infrastructure Levy

8.1 CIL secures contributions from developers for infrastructure. Diss Town Council has discretion in spending, and receives 25% of CIL receipts, due to the Diss & District Neighbourhood Plan.

8.2 Town and Parish Councils have broader spending discretion. CIL funds can be collaboratively used with other income streams for community benefit.

8.3 Infrastructure categories include physical, social, and green infrastructure.

8.4 CIL funds must be separately accounted for and spent within five years, with exceptions for allocated projects.