

BURSTWICK PARISH COUNCIL

RESERVES POLICY

PURPOSE. Burstwick Parish Council is required to maintain adequate financial reserves to meet the needs of the Parish Council. The purpose of this policy is to set out how the Council will determine and review the level of reserves as per the Local Government Finance Act 1972.

TYPES OF RESERVES. Reserves are categorized as General or Earmarked.

EARMARKED RESERVES – Earmarked Reserves can be held for several reasons and are intended to be restricted for that agreed use. These Reserves are a mechanism to smooth expenditure so that a sensible programme of expenditure can be achieved without the need to greatly increase budgets (council tax) in any one year).

GENERAL RESERVES - Based on the 'bigger the Council the bigger the Reserve' the Council will aim to maintain General Reserves as 3 – 12 working months of the precept income, but at all times have sufficient to cover three month's salaries to staff. In view of historic flooding in the village, a higher General Reserve may be established. The Council must build and maintain sufficient working balances to cover the key risks it faces and should be reviewed annually. General Reserves are funds that do not have any restrictions as to their use. These Reserves can be used to smooth the impact of uneven cashflows, offset the budget if necessary, or can be held in case of unexpected events or emergencies. The General reserve may be held in a number of bank savings and deposit accounts.

Reserves will not be held to fund ongoing expenditure. This would be unsustainable, as at some point funds would become exhausted. To the extent that Reserves are used to meet short term funding gaps, they must be replenished in the following year. However, Earmarked Reserves that have been used to meet a specific liability (or project) would not need to be replenished, having served the purpose for which they were originally intended.

POLICY IN PRACTICE

- A working balance to help cushion the impact of uneven cashflows and avoid unnecessary temporary borrowing – General Reserves.
- A contingency to cushion the impact of unexpected events or emergencies – General Reserves.
- A means of building up funds to meet known, predicted or targeted requirements such as replacing buildings, street furniture/equipment, routine repair of heavy maintenance items, risks not covered by insurance, planned projects and land requisition – Earmarked Reserves.
- Any decision to set up a Reserve must be given by the Parish Council.
- Expenditure from Reserves can only be authorised by the Parish Council.
- Reserves will be reviewed by the Council as part of the budgeting process.

Adopted on: 25.4.23023

Minute ref: 2023/04/15b

Signed: *D James*

Review Date: April 2025