

# LAPWORTH PARISH COUNCIL

## FINANCIAL RESERVES POLICY

Lapworth Parish Council is required to maintain adequate financial reserves to meet the needs of the Council<sup>1</sup>. This policy sets out how the Council determines and reviews the level of its financial reserves.

The Council holds reserves for three main purposes:

- A working balance to finance its day-to-day operations
- A contingency to cushion the impact of unexpected events or emergencies
- A means of building up funds to meet known or predicted requirements

The level of financial reserves held by the Council is reviewed on an annual basis during the annual budgetary review.

### RESERVES

Reserves are categorised as General or Earmarked; the Council's earmarked reserves are ring fenced.

#### 1. General Reserves

General Reserves are funds which do not have any restrictions as to their use. These reserves can be used to smooth the impact of uneven cash flows or can be held in case of unexpected events or emergencies.

The level of General Reserves should range between 75-100% of the Council's average annual general expenditure<sup>2</sup>. The Council will build and maintain sufficient working balances to cover the key risks it faces as expressed in its financial risk assessment.

The Council will hold enough General Reserves to cover 6 months of contractual payments in the Council's Unity Trust Current Account. Surplus General Reserves will be held in the Council's Unity Trust Instant Access savings account in order to accrue interest<sup>3</sup>. The Clerk will transfer the funds required to pay each month's invoices from the Instant Access account into the Current Account after the Council has approved the invoices for payment.

#### 2. Earmarked Reserves

Earmarked Reserves are established on a "needs" basis, in line with anticipated requirements - expenditure from earmarked reserves can only be authorised by the Council. There is no upper or lower limit to Earmarked Reserves save only that they must be held for genuine and intended purposes.<sup>4</sup>

The primary means of building Earmarked Reserves is through an allocation from the annual budget. This may be in addition to any amounts needed to replenish reserves that have been consumed in the previous year.

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<sup>1</sup> Local Government Finance Act 1992 s49A

<sup>2</sup> Joint Panel on Accountability and Governance Practitioner's Guide 2023 s5.34

<sup>3</sup> This approach was approved in Council meeting on 13.11.23

<sup>4</sup> Joint Panel on Accountability and Governance Practitioner's Guide 2023 s5.38

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Earmarked Reserves are not held to fund on-going expenditure; if reserves are used to meet short term funding gaps then the Council will endeavour to replenish them in the following financial year.

Earmarked Reserves that have been used for a specific project will not need to be replenished, having served the purpose for which they were originally established. Earmarked Reserves judged by the Council to be no longer required will be returned to General Reserves.

This policy will be reviewed on an annual basis.

Signed (Chair): CLlr Henderson  
Date: 11<sup>th</sup> December 2023  
Date for next review: December 2024