



RESERVES POLICY

Purpose

Northway Parish Council is required to maintain adequate financial reserves to meet the needs of the Council. The purpose of this policy is to set out how the Council will determine and review the level of reserves.

Sections 32 and 43 of the Local Government Finance Act 1992 require Local Authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. However, there is no specified minimum level of reserves that an Authority must hold but it is recommended that this is 50% of the annual precept.

Types of Reserves

General Reserves - are funds that do not have any restriction as to their use (within the confines of normal Parish Council statutory use). These reserves can be used to smooth the impact of uneven cash flows, offset the budget requirement if necessary or can be held in case of unexpected events or emergencies. The Council must build and maintain sufficient working balances to cover the key risks it faces.

If in extreme circumstances general reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Council would be able to draw down from its earmarked reserves to provide short term resources. Even at times when extreme pressure is put on the council's finances the council must keep a minimum balance of 25% of the current annual budget.

Earmarked Reserves – Earmarked reserves should be established on a 'needs' basis in line with anticipated requirements and will be savings for a specific planned expenditure.

A decision to set and spend reserves must be authorised by the Council.

Rolling Capital Reserve – This is a fund that is not earmarked for specific projects but are savings for capital expenditure.

Setting and spending such reserves must be authorised by the Council.

Adopted by Finance Committee 11.01.2021

Reviewed 24.04.2024