

MISTLEY PARISH COUNCIL RESERVES POLICY

Introduction

Mistley Parish Council is required to maintain adequate financial reserves to meet the needs of the Council for the benefit of the Village and its services and facilities. The purpose of this policy is to set out how the Council will determine and review the level of its reserves.

Section 32 and 43 of the Local Government Finance Act 1992 requires 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 should hold and it is the responsibility of the Responsible Finance Officer to advise the Council about the level of reserves and to ensure that there are procedures in place.

Types of Reserves

Earmarked Reserves – These Reserves can be held for ongoing grounds maintenance and for Future infrastructure. For example, the Cemetery. Other earmarked reserves can be set up from time to time to meet known or predicted liabilities.

Insurance Reserves – This budget can enable the Council to meet the excesses or payments up front which are large and of any claims without the need to vary budgets. For example, the roof of the Village Hall.

Ring-Fenced Reserves – These Reserves for several projects enable the Council to plan and finance effective programme. For example, the Furze Hill Tree Management project and the Car Park at Shrubland Road project. These reserves are a mechanism to smooth expenditure for large medium-term projects so that a sensible programme can be achieved without the need to vary budgets or make virements. These can be from grants. So, for example any Section 106 Developer budget.

General Reserves are funds which do not have any restrictions as to their use. These reserves can be used for unexpected events or emergencies.

Earmarked and Ringfenced Reserves

- Any decision to set up a reserve must be made by the Council.
- Expenditure from reserves can only be authorised by the Council.
- Reserves should not be held to fund on-going expenditure.
- This would be unsustainable as, at some point, the reserves would be exhausted.
- Reserves are used to meet short term funding gaps, but they must be replenished.
- Reviewing the Council's Financial Risk Management Scheme is part of the budgeting process.

General Reserves

- General Reserves are part of the formulation of the medium-term financial strategy and budget.
- The Council must build and maintain sufficient working balances to cover the key risks.

Reviewing body: Full Parish Council. Reviewing period: Annually – each May.
Adopted 20/05/2019. Last Reviewed 20.05.24. Next Review Date May 2025.

