

# East Lulworth Parish Council Reserves Policy

## 1. Purpose of the Policy

This policy sets out how the Council will manage its financial reserves to ensure:

- Financial stability
- Provision for future liabilities and projects
- Compliance with proper practices under Local Government Act 1972

The Council recognises that, as a small authority with a limited precept, maintaining appropriate but not excessive reserves is essential.

## 2. Types of Reserves

The Council maintains two types of reserves:

### a) General Reserve

This is the Council's working balance to:

- Meet day-to-day cash flow needs
- Cushion against unexpected expenses
- Cover short-term budget shortfalls

### b) Earmarked Reserves

Funds set aside for specific purposes. Current earmarked reserves include:

- Speed Indicator Device
- Election Costs (to meet the cost of a contested election)
- Asset replacement
- I.T.
- Parish Plan

## 3. Level of Reserves

### General Reserve

The Council will aim to maintain a General Reserve equivalent to:

- **Between 50% and 100% of the annual precept, excluding the Speed Indicator**

This reflects:

- Limited ability to raise funds quickly

- Exposure to irregular but potentially significant costs (e.g. elections)

If the reserve falls outside this range, the Council will:

- Review the budget and precept level
- Consider corrective action over a reasonable period

#### **4. Earmarked Reserves**

Earmarked reserves will be:

- Clearly identified and recorded
- Reviewed annually as part of the budget-setting process
- Held only for as long as necessary

Each reserve will have:

- A stated purpose
- An indicative target level (where appropriate)

#### **5. Transfers to and from Reserves**

- Transfers to reserves will be approved by full Council during budget setting or year-end processes.
- Use of earmarked reserves must be approved by Council and applied only for the stated purpose.
- Any unused earmarked funds may be returned to General Reserves following review.

#### **6. Review and Transparency**

- The level and purpose of all reserves will be reviewed **at least annually**.
- Reserves will be reported as part of:
  - Budget setting
  - Year-end accounts
- The Council will ensure transparency in line with guidance from National Association of Local Councils

#### **7. Risk Considerations**

The Council recognises that, due to its small size:

- It has limited capacity to absorb unexpected costs
- Certain expenditures (e.g. elections, asset failure) can be significant relative to its budget

Maintaining appropriate reserves is therefore a key element of financial risk management.

## **8. Review of Policy**

This policy will be reviewed annually by the Council to ensure it remains appropriate to the Council's size, activities, and financial position.

**Signed by Chair Date**

**Signed by Clerk Date**