

# TOSTOCK PARISH COUNCIL

## FINANCIAL RESERVES POLICY

Adopted 2024-05-14

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### **1 Purpose**

- 1.1 Tostock Parish Council is required to maintain adequate financial reserves to meet its needs. The purpose of this policy is to set out how the Council will determine and review the level of reserves.
- 1.2 The *Joint Panel on Accountability and Governance Practitioners' Guide* (JPAG) (March 2024) as published by the National Association of Local Councils (NALC) advises:  
*"As with any financial entity, it is essential that authorities have sufficient reserves (General and Earmarked) to finance both their day-to-day operations and future plans."*  
It is important, however, given that funds are generated from taxation/public levies, that such reserves are not excessive.
- 1.3 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. Both the Act and JPAG advise that this should be considered as part of the annual budgeting process. However, there is no minimum specified for the level of reserve that the authority should hold and it is the responsibility of the Responsible Financial Officer (RFO) to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use.
- 1.4 Smaller authorities have no specific right to accumulate funds via the precept. All reserves should be reviewed and justified regularly (i.e. at least annually). In the interests of openness and transparency, it is important and good practice to publish both the level of and rationale for all reserves.

### **2 Types of Reserves**

- 2.1 Reserves can be categorised as earmarked or general.
- 2.2 Earmarked reserves can be held for several reasons and shall only be used for the purpose for which they were created. Earmarked reserves are agreed by the Council and are set annually when the budget is agreed. They may be reviewed at any time.
- 2.3 When the purpose of an earmarked reserve becomes obsolete, or where there is an over-provision of funds, with the approval of the Council funds may be transferred elsewhere - to the general reserve, to one or more other earmarked reserves or to revenue budget heads.
- 2.3 The general reserve has no restrictions on use but is determined and maintained to cushion the impact of uneven cash flows, offset budget requirements (if necessary) or held to fund unexpected events or emergencies.

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- 2.4 The generally accepted recommendation (JPAG) with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and 12 months of net revenue expenditure. The smaller the authority, the closer the figure may be to 12 months expenditure. Tostock Parish Council will, initially, set its general reserve at 25% of its general revenue expenditure but will seek to increase that to at least 50% when finances permit.

**3 Community Infrastructure Levy (CIL)**

- 3.1 CIL funding is earmarked, being passed to the Council by Mid Suffolk District Council where development, typically housing, is taking place. The amount will be 15% of monies received by the District Council.
- 3.2 CIL regulations require the Council to spend the funding on the provision, improvement, replacement, operation or maintenance of infrastructure; or anything else that is concerned with addressing the demands that development places on an area.
- 3.3 Providing CIL funds are spent in accordance with the above, then the money may be used to provide seed or match funding with other income streams and/or may be spent collaboratively with other parish councils, community interest companies or other providers to make the most efficient use of the funding to benefit the community.
- 3.4 From when it has been received, the Council has a five-year period in which to spend CIL monies.

**4 Procedure**

- 4.1 Any decision to set up a reserve must be made by the Council.
- 4.2 Expenditure from reserves can only be authorised by the Council.
- 4.3 The reserves will be reviewed by the Council as part of the annual budgeting process.
- 4.4 The RFO will maintain a detailed schedule of all reserves which will form part of the budget management process.