



## **East Wittering and Bracklesham Parish Council General Reserves Policy**

### **1. Purpose of the Policy**

This policy sets out the approach of the Council to the establishment, maintenance, and use of financial reserves. It is intended to:

- ensure the Council maintains adequate financial resilience;
- support effective medium- and long-term financial planning;
- provide transparency and accountability to residents and auditors; and
- comply with proper practices for local councils in England.

The Council recognises that reserves are an essential part of prudent financial management and help ensure continuity of services and activities.

### **2. Types of Reserves**

The Council will maintain two main categories of reserves:

#### **2.1 General Reserves**

General reserves are funds held to cushion the impact of uneven cash flows, unexpected events, emergencies, and unforeseen expenditure.

General reserves are not allocated for any specific purpose and may be used to support the Council's overall financial position where necessary.

#### **2.2 Earmarked Reserves**

Earmarked reserves are funds set aside for specific projects, known future expenditure, or identified financial risks.

Each earmarked reserve will be reviewed annually and recorded separately in the Council's accounting records.

### **3. Level of General Reserves**

The Council will maintain a general reserve balance that is proportionate to the level of annual expenditure and operational risk.

As a guide, the Council will normally seek to maintain general reserves equivalent to between three and twelve months of net revenue expenditure.

Where reserve levels fall below or rise significantly above the target range, the Council will consider appropriate action as part of the budget-setting process.

#### **4. Use of Reserves**

Reserves may be used for:

- funding approved expenditure;
- managing cash flow;
- responding to emergencies or unforeseen liabilities;
- financing one-off projects; or
- reducing the impact of significant expenditure in a single financial year.

Reserves will not normally be used to fund recurring annual expenditure unless part of a formally approved financial strategy.

#### **5. Creation and Review of Earmarked Reserves**

The Council may create earmarked reserves by formal resolution of the Council.

For each earmarked reserve, the Council will identify:

- the purpose of the reserve;
- the estimated target amount;
- the basis of calculation;
- anticipated timescales; and
- arrangements for review.

Earmarked reserves that are no longer required will be returned to the general reserve unless otherwise resolved by the Council.

#### **6. Budget and Financial Planning**

The level of reserves will be considered annually during the budget and precept-setting process.

The Council will ensure that reserves are balanced against:

- current and future spending requirements;
- affordability for local taxpayers;
- asset management needs; and
- financial sustainability.

The Council recognises that holding excessive reserves without clear purpose may not represent best value to residents.

#### **7. Accounting and Reporting**

Reserves will be reported in the Council's accounting statements and reviewed regularly by the Council.

The Responsible Financial Officer (RFO) will:

- monitor reserve balances throughout the financial year;
- advise the Council on the adequacy of reserves;
- report significant variances or risks; and
- ensure transparency in financial reporting.

## **8. Legal and Governance Framework**

This policy should be read alongside:

- the Council's Financial Regulations;
- annual budget and precept reports;
- asset register; and
- risk management arrangements.

The policy is based on guidance contained within:

- the Joint Panel on Accountability and Governance (JPAG) *Practitioners' Guide*;
- proper practices under the Local Audit and Accountability Act 2014; and
- relevant guidance issued by the National Association of Local Councils (NALC) and the Society of Local Council Clerks (SLCC).

## **9. Review of the Policy**

This policy will be reviewed annually by the Council or sooner where there are significant changes to the Council's financial circumstances or statutory guidance.

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**Review date:** May 2027