

NASH PARISH COUCIL RESERVES POLICY

1. Policy Scope

The Parish Council is required to maintain sufficient financial reserves to meet the needs of its operations and to ensure financial security. This document sets out the Parish Council's policy for the establishment, maintenance and adequacy of reserves and balances and will be reviewed annually.

Reserves are held for three main purposes:

- To ensure a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing
- To ensure a contingency to cushion the impact of unexpected events or emergencies
- To build up funds to meet known or predicted requirements

2. General Reserve

The use of this is not restricted. It can be used to level the impact of uneven cashflows, offset the budget requirement or used to manage unexpected events or emergencies. It is intended to maintain the General Reserve at a level up to twelve months precept income.

If the General Reserve is exhausted due to extreme circumstances, the Council may make an emergency borrowing from Earmarked Reserves, which will be replaced in the next annual budget. Any surplus on the reserve above the required balance may be used to fund capital expenditure, be appropriated to earmarked reserves or used to limit any increase in the precept.

3. Earmarked Reserves

Earmarked reserves represent amounts which are earmarked for specific items of expenditure to meet known or anticipated liabilities or projects. They may be built up over a period of time, are not subject to any statutory upper limit and will be held for demonstrable genuine and intended purposes only.

When establishing an earmarked reserve, the Council will set out:

- The reason/purpose of the reserve.
- How and when the reserve can be used.
- Procedures for the management and control of the reserve including a process and timescale review of the reserve to ensure continuing relevance and adequacy.

4. Management and Control

- The level of reserves will be reviewed as part of the annual budget preparation.
- Any decision to set up an Earmarked reserve must be made by the Council.
- Expenditure from reserves can only be authorised by the Council.
- The Responsible Financial Officer will maintain a detailed schedule of all reserves which will form part of the monthly financial summaries.
- Reserves should not be used to fund ongoing expenditure.
- To the extent that Reserves are used to meet short term funding gaps, they should be replenished in the following year.

- Earmarked Reserves that have been used to meet a liability (or project) do not need to be replenished, having served the purpose for which they were originally established.
- Where the purpose of an Earmarked Reserve becomes obsolete, or where there is an over-provision of funds, the excess may, on the approval of the Council, be transferred
- to other budget headings within the revenue budget or to General Reserves or to one or more Earmarked Reserves.