

Nether Wallop Parish Council (NWPC) is required to maintain adequate financial reserves to meet the needs of the organisation. The purpose of this policy is to set out how the Council will determine and review the level of reserves. 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 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 Financial Officer (RFO) to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use.

Types of Reserves

Reserves can be categorised as general or earmarked.

Earmarked reserves can be held for several reasons:

- Renewals – to enable the council to plan and finance an effective programme of equipment and planned property maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.
- Carry forward of underspend – if NWPC has committed expenditure to projects, but cannot spend the budget in year the reserves are used as a mechanism to carry forward these resources.
- Ringfenced reserves set up from time to time to meet known or predicted liabilities for specific projects

General Reserves are funds which do not have any restrictions as to their use. These reserves can be used to smooth the impact of uneven cash flows, offset the budget requirement if necessary or can be held in case of unexpected events or emergencies.

Earmarked Reserves

Earmarked reserves will be established on a “needs” basis, in line with anticipated requirements. Any decision to set up a reserve must be made by the Council. Expenditure from reserves will be authorised by the Council when the expenditure on the subject of the reserve is approved.

All Earmarked Reserves are recorded on a central schedule held by the RFO which lists the various Earmarked Reserves and the purpose for which they are held. The RFO will monitor current and future expenditure on matters which are the subject of these reserves and advise the Council if the reserve needs increasing. At the end of a project the RFO will advise the council of any surplus in the reserve and the council will consider if that should be released to the general reserve or reallocated to another earmarked reserve

General Reserve

Guidance states that ‘a council should typically hold between 3- and 12-months expenditure as a general reserve’ (Good Councillor’s Guide on Finance & Transparency) NWPC aims to hold a general reserve that is equivalent to 12 months of expenditure.

Adopted by the Council on

Minute number