NETLEY MARSH PARISH COUNCIL

RESERVES POLICY

Introduction

Netley Marsh 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.

The Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

General Reserves

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

The minimum level should be 8 months of net revenue expenditure with the General Fund balance never exceeding the value of the current annual Precept.

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.

If, in extreme circumstances, General Reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Council would be able to draw down from its Earmarked Reserves to provide short term resources.

Earmarked Reserves (EMRs)

EMRs must be held for genuine and intended purposes and their level should be subject to annual review, justification and separately identified.

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 Parish Council, be transferred to other budget headings within the revenue budget, to General Reserves or to one or more other Earmarked Reserves.

The Reserves Policy will be reviewed on an annual basis to ensure that the levels remain appropriate.

Adopted: 20th November 2024

Next review due: November 2025 or sooner if required