

# BALANCES AND RESERVES POLICY

1. It shall be the policy of the Parish Council to maintain a range of reserves and balances. These can be regarded as three main types:
  - 1.1 **Specific Reserves** – these represent amounts that are generally built up over a period of time and are earmarked for specific items of expenditure to meet known or predicted liabilities or projects. Specific Reserves may be used to smooth the effects of certain expenditure commitments over a period of time thereby reducing the impact of significant expenditure in any one year and may be used in tandem with a loan obtained for the same expenditure commitment.
  - 1.2 **Exceptional Expenditure Reserves** – these represent amounts that have been set aside to meet the costs of exceptional expenditure that will enable the Parish Council to meet its legal, statutory and proper duties or responsibilities. The norm for this fund is roughly 100% of precept and currently stands at £20,000; it includes for example the costs involved in:
    - a) the undertaking of essential repairs or maintenance work;
    - b) undertaking unexpected administrative duties;
    - c) challenging or deflecting threats to the parish, its people and its environment;
    - d) making provision for redundancy obligations;
    - e) investigations and disciplinary hearings;
    - f) covering for short-term cash flow needs.
  - 1.3 **Discretionary Reserve** – this is an amount created through surplus funds as a result of activities being postponed or cancelled. Reserves of this nature can be spent or earmarked at the discretion of members.
2. The policy on Balances and Reserves shall be reviewed annually by the Finance Committee and reported to the Parish Council as part of the budget setting process. This will include a statement from the RFO on the adequacy of the reserves in respect of the forthcoming financial year and the Council's medium term financial plan.
3. Each Parish Council committee will have the opportunity to review the levels of Specific Reserve held in their name (if any) and will make recommendations for the creation of additional specific reserves to the Finance Committee in October of each year as part of the annual budgeting process. Each committee will be required to identify the following when making their recommendations:
  - 3.1 The reason for / purpose of the reserve
  - 3.2 How and when the reserve can be used
  - 3.3 Procedures for the reserve's management and control
  - 3.4 A process and timescale for review of the reserve to ensure continuing relevance and adequacy
4. The Parish Council will not normally carry discretionary reserves and will aim to minimise them by transfer to other reserves or to revenue, thus reducing the precept over one or more years.

5. Decisions on the levels of reserves to be held will be made by the Parish Council following recommendations from the Finance Committee.
  
6. The desired level of reserves will be taken into consideration when budgeting for transfers to or from reserves and setting the annual precept.

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Chairman, Catshill and North Marlbrook Parish Council / Date