**North Nibley Parish Council
Financial Reserves Policy**

**PURPOSE**

North Nibley Parish Council is required to maintain adequate Financial Reserves to meet the needs of the Parish Council. 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 (Sections 32 and 43), 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. It is the responsibility of the Clerk/Responsible Finance Officer 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 may be categorised as Earmarked, General or Restricted.

**(1) Earmarked Reserves** can be held for several reasons and are intended to be restricted for that agreed use.

**(2) General Reserves** are funds that 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.

(3) **Restricted Reserves** are funds donated to the Council or fundraised for a specific purpose.

**(1) 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 given by the Parish Council. Expenditure from Earmarked Reserves can only be authorised by the Parish Council.

Earmarked Reserves will not be held to fund ongoing expenditure. This would be unsustainable as, at some point, the Reserves would be exhausted. To the extent that Reserves are used to meet short term funding gaps, they must be replenished in the following year. However, Earmarked Reserves, that have been used to meet a specific liability (or project), would not need to be replenished, having served the purpose for which they were originally established.

**(2) General Reserves** – the level of General Reserves is a matter of judgment and so this policy does not attempt to prescribe an overall level. However, the current level of General Reserves to be held by the Council is targeted to be a minimum of 50% of the annual precept figure.

The primary means of building General Reserves will be through an allocation from the annual budget. This will be in addition to any amounts needed to replenish Reserves that have been consumed in the previous year.

(3) **Restricted Reserves** are funds donated to the Council or fundraised for a specific purpose. For example donations from a legacy with conditions placed upon usage; or donations made in connection with a specific purpose.

**Policy Discussed and Approved at August 2021 Parish Council Meeting**

**Reference: Minute September 2021/16a**

**For Review annually at Budget Meeting.**

**ANNEX.**

**Position at 10 January 2022**

**(1) North Nibley Parish Council currently holds the following Earmarked Reserves.**

* **A sum of £9,000 (including VAT) for repairs to the Churchyard wall. From General Reserves**
* **A sum of £5,000 for repairs to the Churchyard wall. From Restricted Reserves from St Martin’s PCC.**
* **A sum of £300 for repairs to Island flower beds, from Hale Legacy to support the community (Restricted Reserves).**
* **A sum of £2,000 received from Renishaw towards the play area project.**
* **A sum of £294 held for any future repairs to Smith grave in the Cemetery.**

**(3) In addition to those reserves already earmarked, North Nibley Parish Council currently holds the following unallocated Restricted Reserves.**

* **A sum of £5,000 for exclusive use on St Martin’s Churchyard**
* **A sum of £64,200 from the Hale Legacy, which must only be used by the Parish Council applied for its general purposes, in support of the Community.**

**(2) North Nibley Parish Council also holds the sum of £50,000 in General Reserves at Lloyds Bank.**

**Reviewed and updated 10 January 2022.**

**Reference: Minute January 2022/ 18a.**