Worlaby Parish Council – Financial Reserves Policy

1. **Purpose of the Reserves Policy.**
   The Council is required to maintain adequate financial reserves to meet foreseeable needs and commitments, and also to have money available in the event of an emergency. Current advice on reserves from the Local Councils Association and followed by the Parish Council is that the amount of financial reserve held should, where possible, be a sum about equal to the annual precept.

2. **Reserve Components**
   a. **General Reserve.**
   The use of this is not restricted. It can be used to smooth the impact of uneven cash flows, offset the budget requirement, or can be used to cope with unexpected events or emergencies. The Parish Council has adopted the following policy for this reserve:

   (1) It is intended to maintain the General Reserve at a level equivalent to two months precept income, but at all times there should be sufficient to cover staff salaries for two months.

   (2) If the balance is drawn down, replenishment will be provided for in the next annual budget.

   (3) If the General Reserve is exhausted due to extreme circumstances, the Council may make emergency borrowings from Earmarked Reserves, which will be replaced in the next annual budget.

   b. **Earmarked Reserves.**
   These are to be set up to meet known or predicted liabilities. Current examples include:

   (1) Playing Field/Village Hall.

   (2) To facilitate major projects as and when required.

3. **Procedure Adopted for the Management of Reserves**

   (1) Any decision to set up a reserve must be made by the Full Council.

   (2) Expenditure from reserves can only be authorized by the Full Council.

   (3) The reserves will be reviewed by the Full Council as part of the annual budgeting process.

   (4) The Responsible Financial Officer will maintain a detailed schedule of all reserves, which will form part of the monthly breakdown.