

# EASTWOOD TOWN COUNCIL



## Financial Reserves Policy

### Introduction

The Council is required to maintain adequate financial reserves to meet foreseeable needs and commitments, and to have money available in the event of an emergency.

The Council's policy on the establishment, maintenance and adequacy of reserves and balances will be considered annually.

### General Reserve

1. The use of this is not restricted. It can be used to level the impact of uneven cashflows, offset the budget requirement or used to manage unexpected events or emergencies.
2. It is intended to maintain the General Reserve at a level sufficient to up to six months precept income.
3. If the General Reserve is exhausted due to extreme circumstances, the Council may make an emergency borrowing from Earmarked Reserves, which will be replaced in the next annual budget.
4. 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.

### Earmarked Reserves

Earmarked reserves represent amounts that are generally built up over a time period which are earmarked for specific items of expenditure to meet known or anticipated liabilities or projects. The Council, when establishing an earmarked reserve, will set out:

1. The reason/purpose of the reserve.
2. How and when the reserve can be used.
3. Procedures for the management and control of the reserve including a process and timescale review of the reserve to ensure continuing relevance and adequacy.

### Procedure

1. The level of earmarked reserves will be reviewed as part of the annual budget preparation.
2. Any decision to set up a reserve must be made by the Council.
3. Expenditure from reserves can only be authorised by the Council.
4. The Responsible Financial Officer will maintain a detailed schedule of all reserves which will form part of the monthly financial summaries.