

HINDERCLAY PARISH COUNCIL

RESERVES POLICY

Purpose of the Reserves Policy

The Parish 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 or a delay in the receipt of the Annual Precept payment. The purpose of this policy is to set out how Hinderclay Parish Council will determine and review the level of reserves it holds. Sections 32 and 43 of 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. However, there is no specific minimum level of reserves that an authority should hold.

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 that is somewhere between: the full amount of the Annual Precept and an amount that would enable Council to operate for at least three months. It is up to each Council, working with the recommendation of its Responsible Financial Officer, to determine what level is appropriate, based on each Council's own commitments. Additional specific earmarked reserves may be required for projects.

Reserve Components

General Reserve

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

- It is intended to maintain the General Reserve at a level at least equivalent to 6 months' precept income, but at all times there should be sufficient to cover staff salaries and contractual obligations for three months.
- If the balance is drawn down below 6 months' precept income, replenishment will be provided for in the next annual budget.
- If the General Reserve is exhausted due to extreme circumstances, the Council may make emergency borrowings from Earmarked Reserves, if any, which will then be replaced in the next annual budget.

Earmarked Reserves

These are to be set up to meet known or predicted liabilities or to earmark funds received for a specific purpose, such as Community Infrastructure Levy.

Earmarked Reserves may be carried over if the project is not yet complete, or the reserves are being built for a future project so as to smooth out the budgeting process.

Procedure Adopted for the Management of Reserves

- Any decision to set up a reserve must be made by the Full Council.
- Expenditure from reserves can only be authorised by the Full Council.
- The reserves will be reviewed by the Full Council as part of the annual budgeting process.