

KINGS CLIFFE PARISH COUNCIL RESERVES POLICY

Version 0.1 July 2021

1. AIM

- 1) The purpose of this policy is to set out how the Council will determine and review the level of reserves.
- 2) The Parish Council is required by the Local Government Finance Act 1992 to maintain adequate financial reserves to meet the needs of the organisation. Reserves can be maintained for long term planned or exceptional expenditure on the following conditions:
 - a) The expenditure must not be recurring.
 - b) Income in reserves from the sale of fixed assets ('capital receipts') can only be used for capital projects, such as the acquisition and enhancement of land, building, vehicles, plant and equipment.
 - c) Budget allocations can be moved from one budget line to another during the course of a financial year, with approval from the Council, so long as the total expenditure for the financial year is not exceeded.

2. Hypothecated Reserves

- 1) Hypothecated reserves are a means of reserving, maintaining or building up funds to deliver a defined project, predicted liabilities or for known significant expenditure.
- 2) They are not to be used for general expenditure except as defined in SPECIAL CIRCUMSTANCES below.
- 3) Hypothecated reserves must be reviewed and/or established by the Council at the annual budget setting meeting. Any changes to the proposed use of reserves must be agreed by Council.
- 4) Changes (income or expenditure) to Hypothecated Reserves must be clearly noted in the Council's minutes.

3. GENERAL RESERVES

- 1) General reserves are funds which 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.

5. SPECIAL CIRCUMSTANCES

- 1) If in extreme circumstances general reserves are exhausted due to major unforeseen spending pressures within a particular financial year, the Council will be able to draw down from its hypothecated reserves to provide short term funds. Any draw down of Hypothecated reserves must be replenished as part of the Council's next budget.
- 2) Even when extreme pressure is put on the Council's finances, the Council must keep a minimum balance sufficient to pay three month's salaries to staff in general reserves at all times.
- 3) All reserves will be reviewed at least annually by the Parish Council

Revision History

0.1 July 2021 First draft.

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