

## HECKINGTON PARISH COUNCIL

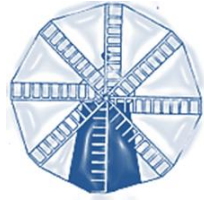
### FINANCE RESERVES POLICY

#### 1. Purpose

- 1.1 Heckington Parish Council is required to maintain adequate financial reserves to meet the needs of the organisation. The Council must only hold reserves for reasonable working capital needs or for specifically earmarked purposes.
- 1.2 The purpose of this policy is to set out how the Parish Council will determine and review the level of such reserves, and how they will be used. Local government legislation requires parishes to have regard to the level of reserves needed for meeting estimated future expenditure, when calculating their budget.
- 1.3 It is the responsibility of the Responsible Financial Officer (Clerk) to advise the Parish Council about the level of reserves, and to ensure that there are protocols for their establishment and use.
- 1.4 Reserves can be used for long-term planned or exceptional (unbudgeted or higher than expected) expenditure.

#### 2. Types of reserve

- 2.1 Reserves can be categorised as for a specific purpose, general or accumulated reserves and cannot be transferred without resolution of the council.
- 2.2 Earmarked reserves
  - 2.2.1 Earmarked reserves are a means of building up funds over several years to deliver a defined project, predicted liabilities or for known significant expenditure. For example,
    - Renewals – to enable the Parish Council to plan and finance an effective programme of equipment replacement. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.
    - Carry forward of underspend – some expenditure is budgeted for projects but is not spent in that financial year. Reserves are used as a mechanism to carry forward these resources.
  - 2.2.2 Earmarked reserves must be reviewed annually by the Council. Any changes to the proposed use of reserves must be agreed by Council.
- 2.3 General reserves



- 2.3.1 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.
- 2.3.2 The Parish Council considers a prudent level of general reserves to be the equivalent of 6 months' annual expenditure but accepts that this may fluctuate from time to time within reasonable levels.
- 2.3.3 If in extreme circumstances general reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Parish Council would be able to draw down from its earmarked reserves to provide short term resources. Even at times when extreme pressure is put on the Parish Council's finances, the Council must keep a minimum balance in its general reserves sufficient to pay three months' salary to staff.
- 2.4 Ringfenced reserves
- 2.4.1 Ringfenced reserves are grants allocated for a specific project only, this money must not be used for any other purpose.

### **3. Responsibilities & review**

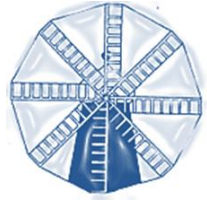
- 3.1 The Responsible Financial Officer is responsible for providing an update on the Council's reserves at least every quarter.
- 3.2 The finance committee will review all reserves every six months and make recommendations to Full Council. The Full Council must resolve any changes to financial reserves.
- 3.3 Full Council is responsible for the review of this policy on a biennial basis or in response to changes in relevant legislation.

### **4. Related legislation, policies & guidance**

- 4.1 Related legislation, policies and guidance is listed below:
- Local Government Finance Act 1992
  - Accounts and Audit Regulations 2015
  - Joint Panel on Accountability and Governance (JPAG) Practitioners Guide

Heckington Parish Council internal documents:

- Financial Regulations



### Version control and amendment history

<b>Date approved</b>	<b>Version Number</b>	<b>Revision / amendments made</b>	<b>Review date</b>
27/01/2025	V1.3	New policy	May 2025
19/05/2025	V1.4	Readopted. No changes.	May 2026
18.05.2026	V1.4	Readopted (APCM) No changes.	May 2027