



Morecambe Town Council

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Reserves Policy

Adopted by Morecambe Town Council on 18 February 2021

Introduction

The Council is required to maintain adequate Financial Reserves to meet its needs and must set its reserves within its annual budgeting process.

The purpose of this policy is to set out how the Council will determine and review the level of reserves.

Sections 32 and 43 of the Local Government Finance Act 1992 require 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 must hold, and it is the responsibility of the Responsible Financial Officer to advise the Council about the level of reserves to ensure that there are procedures for their establishment, maintenance and use.

Types of Reserves

The Council may hold reserves categorised as 'general' or 'earmarked'.

General Reserves

General Reserves are funds which do not have any restrictions as to their use. These reserves cushion the impact of uneven cash flows, can offset budget requirements, if necessary, or can be held in case of unexpected expenditure.

It is recommended that councils hold a reserve equivalent to no less than twenty-five percent of annual expenditure.

The Council will at all times hold no less than twenty-five percent of annual expenditure and at all times work towards maintaining a reserve equivalent to at least fifty percent of annual expenditure.

Earmarked Reserves

Earmarked Reserves are held for several reasons and shall only be used for the purpose for which they were created.

- Renewals – to enable services to plan and finance an effective program of equipment replacement and planned property maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement program can be achieved without the need to vary budgets.
- Carry forward of underspend – expenditure committed to a project but not spent in the budget year. Reserves can be used as a mechanism to carry forward these resources.
- Developers Contributions – proceeds from developers that can only be used for specified purposes.
- Other Earmarked Reserves may be set up from time to time to meet known or predicted liabilities.

Any decision to set up an Earmarked Reserve must be made by the Council and these are to be reviewed annually when the budget is agreed. Recommendations on creation, amendment, cessation or continuation of Earmarked Reserves will be given by the Responsible Financial Officer to the Council by way of a report forming part of the recommendations for the Annual Budget and Precept request by the Council. Approval for the creation, amendment, cessation or continuation of Earmarked Reserves will be given by the Council. Where the purpose of an Earmarked Reserve becomes obsolete, or where there is an over-provision of funds, the excess may, on the approval of the Council, be transferred to other budget headings within the revenue budget or to General Reserves or to one or more other Earmarked Reserves provided there is no legislative requirement to retain the reserve.

Review

This policy will be reviewed annually.