



Middlewich Town Council Reserves Policy

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Introduction

- 1.1 The Town Council is required by statute to maintain financial reserves sufficient to meet the needs of the organisation and in addition has statutory limitations on how it spends certain receipts which it must ensure are accounted for separately to the council's general funds.
- 1.2 Whilst there is no statutory minimum (or maximum) level of reserves, the council has no power to hold revenue reserves other than those for reasonable working capital needs or specific earmarked purposes.
- 1.3 The Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide, which sets out the 'proper practices' for how the council must maintain its accounts, recommends that the minimum level of general reserves should be between three and twelve months of net revenue expenditure. For an authority of the council's size, it states that the lower end (three months, or 25%) is appropriate.
- 1.4 The council's Internal and External Auditors review the council's reserves and their justification annually.
- 1.5 This policy sets out how the council will manage its reserves and is separate to the council's Investments Policy which sets out how the council will hold its reserves.

General Reserve

- 2.1 The general reserve is not ringfenced (earmarked) for any specific expenditure. Its purposes is to smooth the impact of uneven cashflow or cover unexpected/emergency expenditure. It is not intended to fund on-going expenditure.
- 2.2 The general reserve will be replenished as part of the budget process in any year where it has been utilised for unexpected/emergency expenditure.
- 2.3 The council will hold a general reserve of at least **25%** of its net revenue expenditure NRE this is the difference between its budgeted income and expenditure less any budgeted capital expenditure, expenditure from earmarked reserves and budgeted transfers to reserves.

Earmarked Reserves

- 3.1 The council may establish ringfenced (earmarked) reserves for any reason where it reasonably believes it may incur expenditure in the future. The council's current earmarked reserves are detailed below.

Elections Reserve

- 3.2 This earmarked reserve is to cover the cost of by-elections.
- 3.3 The reserve will be held at the approximate cost for two by-elections, comprising one for Kinderton Ward and one for Cledford Ward
- 3.4 The current expected costs are £6,000 for each ward and therefore requiring a reserve of £12,000.
- 3.5 The council may determine to lower the reserve immediately before/after ordinary election years where the likelihood of a by-election is lower.

Carry Forward Reserve

- 3.6 There will be occasions where the council commits to expenditure from its current year budget but does not spend/incur the debt during the financial year.
- 3.7 Where this occurs, the corresponding budget will be transferred to the Carry Forward Reserve at year end and a corresponding entry entered into the committee's EMR budget for the following financial year.

Rental Reserve

- 3.8 The council has an increasing dependence on rental income from commercial property to offset its service expenditure and reduce the burden on council taxpayers.
- 3.9 There will be occasions where a tenant vacates a property and the council both loses rental income and incurs costs in securing a new tenant and managing the vacant property. To mitigate against this the council will develop a rental reserve to ensure that it can manage the impact of a loss of rent on the precept.

Capital Receipts Reserve

- 4.0 Capital receipts are subject to statutory restrictions requiring they only be used for capital expenditure.
- 4.1 In accordance with Financial Regulations the council will hold a Capital Receipts Reserve to ensure capital receipts are separately accounted for.

Review and Variation to Policy

- 4.2 This policy will be reviewed annually by the Finance Committee as part of setting the council budget.
- 4.3 Where it determines there is justification for doing so, the Finance Committee (or Council) may make decisions which are at variance to this policy.

