



Lostwithiel Town Council

Reserves Policy

Approved 5th March 2019 Minute reference 427/18

1. Purpose

1.1 Lostwithiel Town Council is required to maintain adequate financial reserves to meet the needs of the organisation. The purpose of this policy is to set out how the Council will determine and review the level of reserves.

1.2 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. There is no specified minimum or maximum level of reserves that an authority should hold. It is the responsibility of the Councillors and the Responsible Financial Officer (RFO) to determine the level of reserves and to ensure that there are procedures for their establishment and use.

1.3 The Good Councillors Guide to Finance and Transparency 2017 suggests that a council should hold between 3- and 12-months expenditure as a general reserve. If the reserve is too low then it may not be enough to cover unexpected expenditure or emergencies, whilst if it is too high then local electors have paid a tax which is not being used for the benefit of the local community.

2. Types of Reserves

2.1 General Reserves are held to cushion the impact of uneven cashflows or unexpected events. These are funds which do not have any restrictions as to their use.

2.2 Earmarked Reserves can be held for several reasons. The money is held for specific items of expenditure to meet known or predicted liabilities or projects. Earmarked reserves can be used to 'smooth' the effects of certain expenditure commitments over a period of time thereby reducing the impact of significant expenditure in any one year. Typically, they are held for four main reasons: -

- a) Renewals
- b) To carry forward an underspend
- c) To indicate commitment to a capital project
- d) To meet known or predicted liabilities

3. Review of Reserves

3.1 The level of both General and Earmarked Reserves will be reviewed at least annually and will always be part of the budget setting process. A level of

General Reserve will be maintained which equates to between 3- and 12- months expenditure.

4. Governance

4.1 This policy will be reviewed by Council every year following the Council's year end.