**OAKHAM TOWN COUNCIL**

**FINANCE COMMITTEE: 10 NOVEMBER 2021**

**REPORT BY: KAREN BELL – LOCUM TOWN CLERK**

**SUBJECT: REVIEW OF EARMARKED RESERVES AND POLICY**

**1. Summary**

1.1 This report sets out a proposed Earmarked Reserve Policy and a refresh of the earmarked reserves statement.

**2. Recommendations**

2.1 The Committee is asked to:

2.1.1 Approve the Earmarked Reserves Policy

2.1.2 To consider whether the Earmarked Reserves set out in Appendix 1 are still required for the specific purposes.

**3. Background**

3.1 Earmarked Reserves are those sums which have not been fully expended in the year and roll over into the next year as an accumulated amount to allow for setting aside monies for:

• major projects – to allow for safeguarding of monies for projects which may have been delayed.

• cyclical major repairs or renewals to property / assets which would otherwise fall in one year’s budget. This is also a means of building up funds to meet known or predicted liabilities.

3.2 The Council has an Earmarked Reserves Policy To ensure these reserves are managed in a clear and transparent way. The Policy should include:

• Purpose – stated reasons for why funds are earmarked, i.e. only be used to build up funds to meet known or predicted liabilities.

• Accountability – reason for specific funds.

• Usage – control, monitoring and approval authority

3.3 The earmarked reserve policy is presented to ensure it is up to date and fit for purpose.

**Oakham Town Council**

**Earmarked Reserves Policy**

1. Reserves will only be earmarked in line with the CIPFA Code of Practice on Local Authority Accounting in the UK (the Statement of Recommended Practice).
2. The amount to be Earmarked in any one financial year will not exceed the difference (surplus) between the budgeted net expenditure and the actual net expenditure.
3. Reserves can be spent or Earmarked at the discretion of the Council. They can result from:
4. events which have allowed monies to be set aside.
5. surpluses.
6. decisions causing anticipated expenditure to have been postponed, delayed or cancelled.
7. monies set aside for major anticipated capital schemes, projects or service arrangements the Council wish to carry out.
8. monies set aside for the renewal or replacement of the Council’s assets.

4. Expenditure will not be charged direct to Earmarked Reserves and transfers to and from Earmarked Reserves will be distinguished from service expenditure in the year end Accounts.

5. For each reserve established the following will be clearly documented:

(i) The reason for or the purpose of the Earmarked Reserve will be clearly defined within the above guidelines.

(ii) The types of expenditure the Earmarked Reserve will be used for and the basis of transactions will be clearly defined.

(iii) Any circumstances for which the Earmarked Reserve cannot be used.

6. Reserves will be managed, controlled, and reviewed by the Town Clerk/RFO ensuring:

(i) On a transaction-by-transaction basis to ensure that the correct expenditure has been taken from the correct reserve and that no reserve is overspent.

(ii) Twice per year, once during the budget review procedure and once at the year end, to review the appropriateness of each reserve and provide a position statement on the Earmarked Reserves to the Corporate Policy and Finance Committee.

(iii) At the year end, as part of the closedown of accounts, the level of Earmarked Reserves will be approved by Council.

(iv)At such time any reserves considered no longer appropriate will be transferred back to the General Reserve.

7. Authority to spend any sums against an Earmarked Reserve will be reported to the Finance Committee and for approval.

8. Monitoring of funds held in Earmarked Reserves, including approvals to release reserves by the Finance Committee and spending on individual reserves, will be reported to Full Council.