



Lytham Town Council Financial Reserves Policy

(Adopted: 25/03/2026, Review due: 25/03/2027)

1. Introduction

Lytham Town Council is required to maintain adequate financial reserves to ensure the Council can operate effectively and meet both planned and unexpected expenditure.

Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to have regard to the level of reserves needed when calculating their annual budget requirement.

Guidance issued by the Joint Panel on Accountability and Governance states that it is essential for local councils to hold sufficient reserves (both general and earmarked) to support ongoing operations and future plans.

2. Purpose of the Policy

The purpose of this policy is to:

- Ensure the Council maintains adequate but not excessive reserves.
- Provide transparency on how reserves are established and used.
- Support effective financial planning and stability.
- Ensure compliance with recognised good practice guidance.

The Council's annual budget is currently in the region of £100,000, and this policy reflects the scale of the Council's operations.

3. Scope of the Policy

This policy applies to all budgeted funding which is allocated into Reserves for use by the council.

4. Types of Reserves

The Council maintains two types of reserves:

- **General Reserves**
Funds which are not allocated for a specific purpose and are available to support the Council's overall financial position.
- **Earmarked Reserves (EMRs)**
Funds set aside for specific projects, liabilities or known future expenditure.

5. General Reserve

5.1 Purpose

The General Reserve provides a financial buffer to:

- Manage day-to-day cash flow.
- Protect against unexpected events or emergencies.
- Provide short-term cover for unforeseen expenditure.

The General Reserve should **not normally be used to fund recurring expenditure**, as this would not be sustainable.

5.2 Level of General Reserve

Guidance from the Joint Panel on Accountability and Governance recommends that smaller authorities maintain a General Reserve equivalent to **between three and twelve months of net revenue expenditure**.

Given the Council's annual budget of approximately £100,000, the Council will normally aim to maintain a General Reserve in the region of:
£25,000 - £75,000

The precise level will be determined each year during the **budget setting process**, taking into account:

- The Council's financial risks
- The level of earmarked reserves
- Known future commitments
- Cash flow requirements

5.3 Use of the General Reserve

The General Reserve may be used for:

- Emergencies or unforeseen expenditure
- Temporary funding gaps
- Short-term cash flow requirements

Where the reserve is used, the Council will normally seek to **replenish it through future budgets** where appropriate.

6. Earmarked Reserves

6.1 Purpose

Earmarked Reserves (EMR) allow the Council to set aside funds for known future expenditure or specific projects. They help smooth the impact of large or irregular costs and support longer-term financial planning.

Each earmarked reserve must have:

- A clear purpose
- A planned use
- A reasonable timescale for expenditure

6.2 Examples of Earmarked Reserves

Typical earmarked reserves that may be held by the Council include:

Election Reserve

Funds set aside to meet the cost of a contested Town Council election, which can occur every four years.

Civic Events Reserve

Funding for civic and community events organised or supported by the Council.

Community Grants Scheme Reserve

Funds allocated for community grant schemes or support for local organisations.

Capital Projects Reserve

Funding set aside for larger projects such as:

- Public realm improvements e.g. Banners, planters and lighting panels for Clifton Street.
- Environmental enhancements
- Community infrastructure - e.g. Speed Indicator Device purchase

Contingency or Risk Reserve

Funds set aside to manage identified financial risks or unexpected liabilities.

IT and Equipment Reserve

Funding for replacement of council equipment such as:

- Computers and office equipment
- Software upgrades
- Website redevelopment

Neighbourhood Development (Town) Plan Reserve

Funding set aside for future community engagement, legal and referendum costs necessary in developing a Neighbourhood Development Plan for Lytham

These examples are not exhaustive and the Council may establish additional reserves where required.

7. Establishment and Management of Earmarked Reserves

Earmarked reserves will be created or amended by resolution of the Council.

The Responsible Financial Officer (RFO) will maintain a **schedule of earmarked reserves**, including:

- The name and purpose of the reserve
- Opening balance
- Transfers in or out
- Planned expenditure
- Closing balance

The RFO will manage this through the use of the SCRIBE accountancy package used by the Council.

8. Review and Monitoring

Reserves will be reviewed annually as part of the **budget and precept setting process**.

The review will consider:

- The adequacy of the General Reserve
- The purpose and balance of each earmarked reserve
- Financial risks identified in the Council's risk management arrangements
- Planned capital or project expenditure

The Responsible Financial Officer will report reserve balances to the Council as part of **financial monitoring and year-end reporting**.

9. Transparency

The Council recognises the importance of transparency in public finances.

Details of reserves will therefore be:

- Reported in the Council's annual accounts
- Included in the Annual Governance and Accountability Return (AGAR)
- Available to the public through Council financial reports where appropriate

10. Review of this Policy

This policy will be **reviewed annually by Lytham Town Council** to ensure it remains appropriate for the Council's financial position and operational needs.

Version Control

Version	Date	Description of Change	Author
V1 DRAFT	12/03/2026	Initial Draft written	Clerk / RFO
V1	25/03/2026	Adopted by Council	Clerk / RFO