

ASSET MANAGEMENT RESERVE POLICY

1. PURPOSE

- 1.1 The purpose of this policy is to set out how Melbourn Parish Council (MPC) will determine and review the level of its Asset Management Reserve (AMR).
- 1.2 This policy should be considered in conjunction with MPC's Reserves Policy (Doc. No 4.14)

2. JUSTIFICATION

- 2.1 MPC recognises the need to look after the assets in its safekeeping.
- 2.2 The AMR is an earmarked reserve that will be used to build up funds to finance a programme of long-term repairs and replacements of assets and equipment owned or leased by MPC.
- 2.3 The AMR is a mechanism to smooth expenditure without the need to significantly vary the precept budget when major expenditure on asset repairs or renewals is required.

3. SCOPE

- 3.1 Expenditure from the AMR will be on items included in MPC's Asset Management Schedule (AMS).
- 3.2 The Asset Management Schedule will be drawn up in conjunction with a suitably qualified asset management professional e.g. a quantity surveyor. The professional will advise which items should be included in MPC's long-term asset repair and maintenance programme, the frequency of replacement/renewal and the approximate cost.
- 3.3 The AMR will be used to fund significant repairs or renewals of assets owned or leased by MPC. Expenditure in excess of **£5,000** (net) will usually be considered significant.
- 3.4 Repairs or renewals financed from the AMR will generally be expected to recur on an infrequent basis (less frequently than every three years) and would not be classified as normal 'wear and tear' maintenance expenditure.
- 3.5 In cases of emergency the AMR may be used to fund asset repairs or replacements that are not included in the AMS or that fall under the £5,000 expenditure subject to approval by MPC.

4. LEVEL

- 4.1 The Finance Officer will calculate the funding requirement for the AMR based on the items included in the AMS and using the time period advised.
- 4.2 It may be necessary to further assess the cost estimates used in the professional AMS report e.g. by getting quotes - and to adjust the AMR calculation as required.

- 4.3 The Finance Officer should ensure that there will be sufficient funds available in the AMR at the end of the period covered by the AMS to take forward to the start of the next cycle of works.
- 4.4 The funding model should make appropriate adjustments for inflation. The items included in the AMS and the forecast expenditure included in the AMR will be approved by MPC.
- 4.5 MPC will precept for contributions to the AMR to keep it funded to the appropriate level.

5. ADMINISTRATION

- 5.1 When expenditure is to be funded from the AMR, a budget will be approved by MPC.
- 5.2 Quotes/tenders and expenditure approval will be obtained in accordance with MPC's Financial Regulations and Standing Orders.
- 5.3 Approved expenditure funded from the AMR will be administered by the Clerk/RFO in conjunction with the Maintenance Committee.
- 5.4 The Clerk will arrange for a new AMS to be drawn up by a professional, for the next time period to be covered, at least one year before the end of the current AMS. This should allow sufficient time for appropriate financial planning.

6. REVIEW

- 6.1 The AMS will be reviewed every 5 years or when there is a significant change in asset ownership. It is anticipated that the services of a suitably qualified professional will normally be required to assist in this exercise.
- 6.2 The level of contributions to the AMR will be reviewed by MPC every year when the precept is agreed.
- 6.3 The AMR reserve movements and balance will be agreed by MPC at the end of each Financial Year.
- 6.4 Any changes to the agreed use of the AMR must be agreed by MPC.

Document Approval:



(Chair to Melbourn Parish Council)

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