



STRATFORD-UPON-AVON TOWN COUNCIL

FINANCIAL RESERVES POLICY

1. Introduction

Stratford-upon-Avon 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.

2. Guidelines

Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement; however, there is no specified minimum level of reserves that an authority should hold. It is the responsibility of the Responsible Financial Officer and the Members of the Council to determine the level of reserves and to ensure that there are procedures for their establishment and use.

The Governance & Accountability for Local Councils Practitioners Guide 2014 stipulates:

“2.26 ...as councils have no legal powers to hold revenue reserves other than those for reasonable working capital needs or for specifically earmarked purposes, whenever a council's year-end general reserve is significantly higher than the annual precept, an explanation should be provided to the auditor. Earmarked reserves, which are set aside for specific purposes and for savings for future projects, should be realistic and approved by the council. However, the amount of general reserve should annually be risk assessed and approved by the Council.”

In completing the Annual Return for submission to the External Auditors, Schedule E requires the analysis of earmarked reserves and also *“an explanation for any high level of general reserves if over 3 times (or less than 0.1) of the precept/rates and levies.”*

3. Types of Reserves

3.1 General – funds can be used as and when required for purposes determined and approved by the Council

3.2 Designated / Earmarked – funds are ‘ring fenced’ and restricted for use for a specific purpose or project

4. General Reserves

Stratford-upon-Avon Town Council maintains a level of General Reserves equivalent to approximately one year’s annual precept.

Any budget surplus at the end of the financial year is transferred to General Reserves.

Virements from General Reserves may be approved during the financial year to fund a specific requirement or to resolve a budget deficit issue.

Funds may also be transferred to Designated Reserves.

5. Designated Reserves

Stratford-upon-Avon Town Council maintains Designated Reserves for the following:

- Cemetery Land & Building Maintenance Reserve
- Building Maintenance Reserve
- Allotment Reserve
- Old Stratford and Drayton Reserve
- Shakespeare’s Birthday Celebrations Reserve
- Vehicle Replacement Reserve
- Christmas Festival Reserve
- Election Expenses Reserve

In addition, Designated Reserves may be created for Special Projects which take place over more than one year e.g.

- Localism Project (Neighbourhood Development Plan)

At the end of the project, it is expected that any balance remaining is transferred back to General Reserves.

6. Principles to Assess the Adequacy of Balances and Reserves

All significant expenditure is subject to the preparation of a business case and project budget. This is presented for review by the Finance &

Scrutiny Committee. Based on Terms of Reference and Financial Regulations, the F&S Committee makes recommendations to Town Council for approval.

When a Budget is set which forecasts the use of Reserves to fund a Deficit, the F&S Committee must review the Reserves Policy. If expenditure is committed to known costs which will occur within the financial year, the replenishment of Reserves should be considered to ensure continued adherence to the Reserves Policy, or the Reserves Policy may be amended following a risk assessment of the Council's ability to meet future spending requirements.

Where an actual overall Budget Deficit occurs at Year End, the Reserves must be reviewed and action taken to enable Reserves to be replenished or for the Reserves Policy to be revised accordingly.

7. Governance concerning the Balances and Reserves

Balances are reviewed monthly using the Management Accounts.

Reserves are reviewed as part of the Budget Process between September and January each financial year, and as part of the Year End process.

Where potential Budget Deficits arise during the financial year, the matter is reviewed by the Finance & Scrutiny Committee and, if appropriate, a virement from General Reserves or a Designated Reserve is recommended for approval by the Town Council.

Finance Officer
September, 2017

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Updated Section 5 and added wording in Sections 6 and 7 30.9.19