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 Smaller Authorities' Proper Practices Panel Practitioner's Guide (March 2025) *advises* under s5.31-5.39 that local authorities *should* maintain a general reserve of between 3-12 months net revenue expenditure. It further explains that Town Councils of the size of Stratford-upon-Avon should plan towards 3 months equivalent as income and expenditure is in excess of £200,000.

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> *5.31. As with any financial entity, it is essential that authorities have sufficient reserves (general and earmarked) to finance both their day-to-day operations and future plans.*
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> *5.32. Smaller authorities have no specific right to accumulate funds via the precept. All reserves should be reviewed and justified regularly (i.e. at least annually). It is good practice to transparently publish both the level and rationale of all reserves.*

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5.33. The general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances.

5.34. The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure.

5.35. The reason for the wide range is to cater for the large variation in activity level between individual authorities. The smaller the authority, the closer the figure may be to 12 months expenditure, the larger the authority, the nearer to 3 months. In practice, any authority with income and expenditure in excess of £200,000 should plan towards 3 months equivalent general reserve.

~~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** – funds are 'ring fenced' for use for a specific

purpose or project~~–~~. Funds may be repurposed at the approval of Council.

3.3 Restricted – funds can only be used for the purpose for which they were created and ~~are restricted for use for a specific purpose and~~ cannot be repurposed, such as Community Infrastructure Levy (CIL) and pots of money where the Town Council are joint stakeholders.

4. General Reserve

Stratford-upon-Avon Town Council maintains a level of General Reserve equivalent to a minimum of three months' average net revenue expenditure from the previous full financial year.

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

Virements from the General Reserve 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

Designated reserves can be proposed by Council, its Standing Committees and its Sub-groups. They must be held for genuine and identifiable purposes and projects, and their level should be subject to regular review and justification (at least annually and at budget setting) and should be separately identified and enumerated.

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

- Building Maintenance Reserve;
- Cemetery Land Reserve;
- Cemetery Special Repairs and Maintenance Reserve;
- Christmas Festival Reserve;
- Climate Change Reserve;
- Election Expenses Reserve;

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- Events Reserve;
- Garden of Remembrance Reserve;
- Holy Trinity Churchyard & Monuments Reserve;
- Memorials Reserve;
- National Mourning Reserve;
- Park Road Allotments Reserve;
- TH Commercial Management Reserve;
- Tranquillity Garden Reserve;
- Vehicle Replacement 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)~~

Where a designated reserve has been created for a specific project, ~~At the end of the project~~, it is expected that any balance remaining after project completion is transferred back to the General Reserve.

~~Designated Reserves may also be created for initiatives proposed by Council, its Standing Committees and its Sub-groups during the annual Budget Process.~~

6. Restricted Reserves

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

- Community Infrastructure Levy (CIL)
- Town Centre Strategic Partnership (TCSP)
- Shakespeare's Statue Restoration Reserve
- Shakespeare Birthday Celebrations Reserve

7. 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 & Audit Committee~~Governance, Finance & Audit Committee. Based on Terms of Reference and Financial Regulations, the G,F&A Committee makes recommendations to Town Council for approval.

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When a Budget is set which forecasts the use of Reserves to fund a Deficit, the GF&A 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.

8. Governance concerning the Balances and Reserves

Balances are reviewed ~~monthly~~ quarterly using the Management Accounts issued by the RFO.

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 Governance, Finance & Audit Committee and, if appropriate, a virement from General Reserves or a Designated Reserve is recommended for approval by the Town Council.

Responsible Financial Officer
~~**December 2024**~~**July 2026**

Document Control Sheet

Document Ownership:	*Finance & Audit Committee*
Full Review:	Every year - September

Version	Description of Amendment (including paragraph)	Date
1.	Created	Sep 2017
2.	Updated and reviewed by Finance & Scrutiny Committee	20 Nov 2018
3.	Reviewed by F&S Committee	10 Sep 2019
4.	Updated Section 5 and added wording in Sections 6 &7	30 Sep 2019
5.	Amended wording in Section 4 and updated Section 5	14 Jan 2020
6.	Amended wording in Section 4, amended references to F&S Committee and added wording in Section 5.	12 Jan 2021
7.	Reviewed by Finance & Audit Committee	18 Jan 2022
8.	Reviewed by Finance & Audit Committee, no change	5 Sep 2023
9.	Reviewed by Finance & Audit Committee. Removal of 'earmarked' in relation to designated reserves, addition of Restricted Reserve, amendment to minimum level of General Reserve to 3 months' average expenditure from the previous full financial year, amendment to list of designated and restricted reserves.	3 December 2024
10.	• Change of guidance to include SAPPP 2025 & removal of old 2014 guidance. • Update of Committee name from Finance & Audit to Governance, Finance & Audit. • Update to names of reserves held • Change of management accounts from monthly to quarterly • Clarifications to types of reserves & monitoring	8 July 2026

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