



Stony Stratford Town Council

Reserves Policy

Revised: Finance Committee 0418, Adopted: FC 15th May 2018

Reviewed and amended: Finance Committee 16th April 2019, FC 21st May 2019, FC 19th May 2020.

Adopted: FC 19th May 2020

Due for review: Finance Committee 0421

1. Purpose

- 1.1. Stony Stratford Town Council (SSTC) 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.
- 1.2. Section 50 of the Local Government Finance Act 1992 requires local councils 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.

2. Types of reserves

- 2.1. Reserves can be categorised as general or earmarked.
- 2.2. **General reserves** are funds which do not have any restrictions as to their use. These reserves can be used to smooth the impact of uneven cash flows, offset the budget requirement if necessary or can be held in case of unexpected events or emergencies.
- 2.3. General (ie un-earmarked) The Town Council shall hold a General Reserve, in line with the Joint Panel on Accountability and Governance's guidance. It will therefore hold a General Reserve of between three (3) and twelve (12) months Net Revenue Expenditure (NRE). NRE (subject to any planned surplus or deficit) being effectively the precept less any loan repayments and/or amount included in the precept for Capital Projects and transfers to earmarked reserves.
- 2.4. **Earmarked reserves**, which are set aside for specific purposes and for savings for future projects, should be realistic and approved by the council.
- 2.5. Earmarked reserves can be held for several reasons:

Renewals – to enable council to plan and finance an effective programme of vehicle and equipment replacement and planned property maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.

Carry forward of underspend - some councils commit expenditure to projects, but cannot spend the budget in year. Reserves are used as a mechanism to carry forward these resources.

Other earmarked reserves may be set up from time to time to meet known or predicted liabilities or specific projects.

3. Earmarked reserves

- 3.1. Earmarked reserves will be established on a “needs” basis, in line with anticipated requirements.
- 3.2. Any decision to set up a reserve must be given by the Council.
- 3.3. Reserves should not be held to fund ongoing expenditure. This would be unsustainable as, at some point, the reserves would be exhausted. To the extent that reserves are used to meet short term funding gaps, they must be replenished in the following year. However, earmarked reserves that have been used to meet a specific liability would not need to be replenished, having served the purpose for which they were originally established.
- 3.4. All earmarked reserves are recorded on the accounts held by the Responsible Financial Officer which lists the various earmarked reserves and the purpose for which they are held.
- 3.5. Reviewing the Council’s Financial Risk Assessment is part of the budgeting and year end accounting procedures and identifies planned and unplanned expenditure items and thereby indicates an appropriate level of Reserves.

4. General reserves

- 4.1. The level of general reserves is a matter of judgement and so this policy does not attempt to prescribe a blanket level. The primary means of building general reserves will be through an allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves that have been spent in the previous year.
- 4.2. Setting the level of general reserves is one of several related decisions in the formulation of the annual budget. The Council must build and maintain sufficient working balances to cover the key risks it faces, as expressed in its financial risk assessment.
- 4.3. If in extreme circumstances general reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Council would be able to draw down from its earmarked reserves to provide short-term resources.

5. Level of financial reserves

- 5.1. The level of financial reserves held by the council will be recommended by the finance committee during the discussions held regarding the setting of the budget for the next financial year.
- 5.2. The council currently holds the following reserve funds

310	General Reserve	This is held to finance the general day to day operations of the council and to cover any contingencies that may arise during the year
321	Public Conveniences Reserve	This is held to provide for any routine maintenance needs to the building that are outside the scope of the cleaning and maintenance contract.
322	Speed Indicator Device Fund	This fund was established when the original agreement with Wolverton and Greenleys Town Council for joint operation was put in place (now finished due to theft of SSTC SID (which was held at

		WGTC). This fund has been retained as in future the Council may consider purchase of a new SID.
327	Allotments – General Reserve	This fund is held to contain surpluses from allotment activities in the knowledge that income from allotment rentals has to be reinvested in the activity and therefore needs to be specifically identified
330	Mortimer Park Reserve	This fund is held to finance a community orchard and major improvements to Mortimer Park
331	Litter Bin Fund	This holds the receipts from the MKC recycle and reward initiatives.
334	Floral Features Reserve	This fund is held to finance any specific renewal and replacement of equipment and any unforeseen expenditure that may arise related to the council's assets e.g. Water Bowser, baskets.
341	Neighbourhood Plan Reserve	This fund was held to cover all the costs (including publicity) relating to the Neighbourhood Plan which was adopted ('made') by MKC on 20 th June 2018. It was AGREED (Min FC20/083c) that the remainder in the reserve should be used to fund outstanding NHP aspirations.
344	5-7 Church St Reserve	This fund is held to finance any repairs and renewal of the building and equipment, and any unforeseen expenditure that may arise.
347	HFG Memorial Garden (NEW 2018/19)	This holds monies for the Friends of HFG, usually donated (but not exclusively) by Ward Councillor and is used to purchase sundry items for the maintenance of HFG Memorial Garden
348	Landscaping Contract Reserve (NEW 2018/19)	This fund holds the difference between the contractor costs and the old grant from MKC as at the end of March 2018. The grant has since substantially decreased and this fund will bridge the gap between the MKC grant and the new contractor costs plus any additional works that are required. The MKC grant is guaranteed until March 2023.
350	Councillors Ward Budget Reserve (NEW 2018/19)	This fund is held for any donations from the MKC Ward Councillors budget for specified expenditure (with the exception of HFG Memorial Garden) and detailed in documentation from Milton Keynes Council