



Knutsford Town Council

Reserves Policy

DRAFT

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Introduction

- 1.1 The Town Council is required by statute to maintain financial reserves sufficient to meet the needs of the organisation and in addition has statutory limitations on how it spends certain receipts which it must ensure are accounted for separately to the council's general funds.
- 1.2 Whilst there is no statutory minimum (or maximum) level of reserves, the council has no power to hold revenue reserves other than those for reasonable working capital needs or specific earmarked purposes.
- 1.3 The Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide, which sets out the 'proper practices' for how the council must maintain its accounts, recommends that the minimum level of general reserves should be between three and twelve months of net revenue expenditure. For an authority of the council's size, it states that the lower end (three months, or 25%) is appropriate.
- 1.4 The council's Internal and External Auditors review the council's reserves and their justification annually.
- 1.5 This policy sets out how the council will manage its reserves and is separate to the council's Investments Policy which sets out how the council will hold its reserves.



General Reserve

- 2.1 The general reserve is not ringfenced (earmarked) for any specific expenditure. Its purposes is to smooth the impact of uneven cashflow or cover unexpected/emergency expenditure. It is not intended to fund on-going expenditure.
- 2.2 The general reserve will be replenished as part of the budget process in any year where it has been utilised for unexpected/emergency expenditure.
- 2.3 The council will hold a general reserve of at least 25% of its net revenue expenditure NRE this is the difference between its budgeted income and expenditure less any budgeted capital expenditure, expenditure from earmarked reserves and budgeted transfers to reserves.

Earmarked Reserves

- 3.1 The council may establish ringfenced (earmarked) reserves for any reason where it reasonably believes it may incur expenditure in the future. The council's current earmarked reserves are detailed below.

Market Hall Reserve

- 3.2 This earmarked reserve is to fund improvements at the Market Hall.
- 3.3 The reserve will be built from the trading profits of the Market Hall less an amount determined by the council to contribute to the central operating costs of the council. Any overspend within the markets cost centre will be covered by the reserve at year end.
- 3.4 There is no set target level for the reserve and expenditure on the Market Hall is likely to be required before the reserve reaches a level to cover the planned expenditure.

Elections Reserve

- 3.5 This earmarked reserve is to cover the cost of by-elections.
- 3.6 The reserve will be held at the approximate cost for two by-elections, comprising one for Over Ward (the largest ward and more expensive for by-elections) and one other ward.
- 3.7 The current expected costs are £7,500 for Over Ward and £6,500 for another ward, requiring a reserve of £14,000.
- 3.8 The council may determine to lower the reserve immediately before/after ordinary election years where the likelihood of a by-election is lower.



Allotments Reserve

- 3.9 This earmarked reserve is to cover expenditure at the allotment sites.
- 3.10 Any unspent allotment receipts will be transferred to the reserve at the end of the financial year.
- 3.11 Any overspend within the allotments cost centre will be covered by the reserve at year end.
- 3.12 There is no specific project for which the council is building the reserve and it may be utilised to cover expenditure as is required.

Play Areas Reserve

- 3.13 This earmarked reserve is to build a match funding pot to contribute towards investment in play areas in Knutsford.
- 3.14 The council will usually increase the reserve by £1,000 each year.
- 3.15 There is no specific target level for the reserve.

Carry Forward Reserve

- 4.1 There will be occasions where the council commits to expenditure from its current year budget but does not spend/incur the debt during the financial year.
- 4.2 Where this occurs, the corresponding budget will be transferred to the Carry Forward Reserve at year end and a corresponding entry entered into the committee's EMR budget for the following financial year.

Rental Reserve

- 5.1 The council has an increasing dependence on rental income from commercial property to offset its service expenditure and reduce the burden on council taxpayers.
- 5.2 There will be occasions where a tenant vacates a property and the council both loses rental income and incurs costs in securing a new tenant and managing the vacant property. To mitigate against this the council will develop a rental reserve to ensure that it can manage the impact of a loss of rent on the precept.
- 5.3 The most significant impact would be from the loss of the tenant at 60 King Street which provides a large income and would incur the council significant costs in securing a new tenant and managing the vacant building. A reserve to protect against this risk will also serve to protect against the pooled risk of smaller properties.



- 5.4 The reserve will comprise 110% of the annual rental income for 60 King Street and built by committing 10% of the rental income from commercial lettings to a reserve annually from the 2022/23 financial year.

Capital Receipts Reserve

- 6.1 Capital receipts are subject to statutory restrictions requiring they only be used for capital expenditure.
- 6.2 In accordance with Financial Regulations the council will hold a Capital Receipts Reserve to ensure capital receipts are separately accounted for.

CIL Receipts Reserve

- 7.1 CIL Receipts are subject to statutory restrictions requiring they only be used for certain kinds of expenditure.
- 7.2 In accordance with Financial Regulations the council will hold a CIL Receipts Reserve to ensure CIL receipts are separately accounted for.

Review and Variation to Policy

- 8.1 This policy will be reviewed annually by the Finance Committee as part of setting the council budget.
- 8.2 Where it determines there is justification for doing so, the Finance Committee (or Council) may make decisions which are at variance to this policy.

