

KNUTSFORD TOWN COUNCIL

RESERVES POLICY

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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 Smaller Authorities Proper Practices Panel (SAPPP) 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 purpose 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 usually hold a general reserve of at least 25% of its net revenue expenditure, 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 and mitigate lost income from changes in traders 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 the value of the reserve will be reviewed annually by the Finance Committee.

ELECTIONS RESERVE

3.5 This earmarked reserve is to cover the cost of elections; the council will be recharged the full costs of by-elections and a share of costs of ordinary elections.

3.6 As of 2025, fully contested ordinary elections are estimated to cost a total of £7,500 and by-elections are estimated to cost £7,500 each.

3.7 The reserve will usually be maintained at a value of two elections. When utilised, the reserve will be built back to this level by the next ordinary elections.

ALLOTMENTS RESERVE

3.8 This earmarked reserve is to cover expenditure at the allotment sites.

3.9 Any unspent allotment receipts will be transferred to the reserve at the end of the financial year.

3.10 Any overspend within the allotments cost centre will be covered by the reserve at year end.

3.11 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

3.12 This earmarked reserve is to build a match funding pot to contribute towards investment in play areas in Knutsford.

3.13 The council will usually increase the reserve by £1,000 each year.

3.14 There is no specific target level for the reserve.

INFRASTRUCTURE RESERVE

3.15 This earmarked reserve is to build a reserve from which replacement infrastructure and equipment can be funded. Examples may include replacement of grounds keeping equipment or IT.

3.16 The council will usually increase the reserve by £5,000 each year and, additionally, unspent 'equipment purchase' budgets will be committed to this reserve at year end.

3.17 The Town Clerk may approve expenditure from this reserve for replacement infrastructure, subject to the approval of the Finance Committee Chairman.

3.18 There is no specific target level for this reserve, its value shall be reviewed by the Finance Committee each year.

NEIGHBOURHOOD PLAN RESERVE

3.19 This earmarked reserve is to build a reserve to fund external professional input into a review of the Knutsford Neighbourhood Plan. The review is expected to be undertaken in the 2027/28 financial year.

3.20 The council will usually increase the reserve by £10,000 each year.

3.21 The target is to hold a reserve of £40,000 by the commencement of the 2027/28 financial year.

PAY INFLATION RESERVE

3.22 The council employs staff on the terms set by the National Joint Council for Local Government Services which annually agrees pay scales across local government. Pay negotiations are seldom concluded in advance of the financial year, which requires the council to estimate the likely uplift to pay scales. This earmarked reserve is to provide a buffer between the estimated and actual rates.

3.23 The value of this reserve shall be reviewed by the Finance Committee each year but will normally be held at between 1% - 2% of total staffing costs.

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/costs on the precept.

5.3 The reserve will be built by committing 10% of the rental income from commercial lettings to a reserve annually. The target is to build a reserve equal to 100% of the total annual rental income, but this target will be reviewed once 60 King Street is let.

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.