



## STOTFOLD TOWN COUNCIL

### RESERVES POLICY 2026

#### VERSION 1.1

#### 1. Purpose

- 1.1 This policy sets out how Stotfold Town Council manages its financial reserves to safeguard financial resilience, support service delivery, meet known commitments and maintain transparency and accountability. It has been prepared having regard to the current SAPP Practitioners' Guide, the Accounts and Audit Regulations 2015, the Council's Financial Regulations and relevant statutory requirements.
- 1.2 This policy has been prepared considering the Local Government Act 1972 (s.151) and Accounts and Audit Regulations 2015, confirming the Council's statutory duty to maintain adequate reserves and proper practices.

#### 2. Types of Reserves

Stotfold Town Council holds two types of reserves:

- General Reserve: A contingency fund for unforeseen or emergency expenditure.
- Earmarked Reserves (EMRs): Funds set aside for specific projects or obligations, including legally restricted receipts such as S106 contributions.

#### 3. General Reserve

- 3.1 General reserves should not be used to fund ongoing expenditure except as a temporary measure in exceptional circumstances. Any such use must be reported to Council and a plan for replenishment agreed as part of the next budget cycle.
- 3.2 It exists to:
  - Smooth cash flow fluctuations.
  - Cover emergency or unexpected events (e.g., building repairs, unplanned legal costs).
  - Function as a buffer during budgetary uncertainty.
- 3.3 The Council will normally aim to maintain its General Reserve at approximately three months' budgeted Net Revenue Expenditure, reflecting its size, activity level and income/expenditure above £200,000. A higher or lower level may be recommended by the RFO where justified by the Council's risk profile, cash-flow needs, reliance on variable income, planned commitments



or other relevant circumstances. The target level, actual level and rationale for any variance will be reported annually as part of the budget-setting process and minuted..

- 3.4 The General Reserve should not routinely exceed 12 months' NRE and that any excess will be justified and reported to Council, and if necessary, to the external auditor.
- 3.5 The Responsible Financial Officer (RFO) will advise annually on the adequacy of this reserve during the budget-setting process. If the General Reserve falls below the approved target level, the RFO will report this to Council with a proposed replenishment plan and timescale. If the General Reserve exceeds the approved target level, the RFO will report the reason and recommend whether the excess should be retained, transferred to an appropriate earmarked reserve, or considered during budget setting.

#### **4. Earmarked Reserves (EMRs)**

- 4.1 EMRs will be used to accumulate funds for known or anticipated one-off costs, future liabilities, and specific projects. Each EMR will have a clear, minuted purpose and an expected timeframe for use. The continued need and level for each EMR will be reviewed and justified at least annually as part of the budget-setting process. Where EMRs are no longer required, balances will be returned to the General Reserve.
- 4.2 The Council will maintain separate EMRs for:
- S106 Agreements
  - Elections
  - Capital Projects
  - Time specific projects e.g. play area refurbishments
- 4.3 Each earmarked reserve will be supported by a Reserves Schedule showing:
- reserve name and purpose;
  - opening balance;
  - in-year additions and withdrawals;
  - closing balance;
  - legal or external restrictions, if any;
  - expected timescale for use;
  - responsible committee or budget holder; and
  - annual review outcome.
- 4.4 S106 receipts will be recorded separately by agreement or project reference, including the amount received, permitted purpose, any spending deadline or clawback provision, expenditure incurred, balance remaining and supporting audit trail.
- 4.5 Significant EMRs (e.g., those exceeding 50% of the precept) will be specifically explained in the annual accounts and, if required, to the external auditor.



## 5. Review and Risk Management

- 5.1 All reserves will be reviewed annually by the Governance and Resources Committee, with recommendations to Full Council where required as part of the budget setting process.
- 5.2 The review will consider:
- Council's strategic and operational risks.
  - Changes in legislation or funding.
  - Project delivery progress and estimated costs.
  - Whether earmarked funds remain justified.
- 5.3 Balancing the annual budget using reserves should be a temporary and last-resort measure. Reserves should not be used to subsidise recurring expenditure, except as a temporary measure and that any such use must be accompanied by a replenishment plan.
- 5.4 When reviewing the Town Council's Reserves, the Investment Policy should be considered for the management of reserves ensuring security, liquidity and yield in line with statutory guidance.

## 6. Monitoring and Reporting

- 6.1 A Reserves Statement will be included in quarterly budget monitoring reports, showing:
- Opening balance.
  - In-year movements.
  - Purpose and estimated use dates.
  - Commentary from the RFO.
- 6.2 The Council will publish the level and purpose of all reserves annually and include a Reserves Statement in quarterly budget monitoring reports and at year-end. The Reserves Policy will be published alongside the Annual Budget.

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### **Version History:**

<b>Version No</b>	<b>Date Approved/ Reviewed</b>	<b>Author/ Owner</b>	<b>Summary Of Changes</b>	<b>Responsible Committee</b>	<b>Review Date</b>
1	October 2025	Town Clerk	Adopted and reviewed against JPAG guidance	Full Council	June 2026
1.1	June 2026	Town Clerk	Reviewed against SAAA Practitioners Guide	Full Council	June 2027