



## **STOW ON THE WOLD TOWN COUNCIL**

### **FINANCIAL RESERVES POLICY**

#### **1. BACKGROUND**

Stow on the Wold Town Council (“the council”) is required under statute to maintain adequate financial reserves in order to meet the needs of the organisation. The Local Government Finance Act 1992 Sections 32 & 43 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 members of the council to determine the level of reserves and to ensure that there are procedures for their establishment and use.

#### **2. STOW ON THE WOLD TOWN COUNCIL POLICY**

The current policy of the council is to aim for a general reserve fund equal to at least 6 months of the current precept.

Any decision to set up reserves or spend from reserves must be made by council.

Reserves must not be held for ongoing expenditure because this would be unsustainable. Reserves should be used to meet short term funding gaps with the aim being to replenish in the following year or as soon as possible thereafter.

Earmarked reserves that have been used to meet specific liability would not need to be replenished having served the purpose for which they were established.

#### **3. TYPES OF RESERVES**

The council maintains two types of reserves:-

##### **(a) General Reserve**

General reserves or working balances are funds which do not have any restrictions as to their use. These reserves operate as a working balance to help manage the impact of uneven cash flows. They can also be used to smooth the impact of significant pressures, offset budget requirement if necessary or can be held in case of unexpected events or emergencies. In general a robust level of reserve should be maintained and should take account of operational and financial issues facing the council.

##### **(b) Earmarked Reserve**

Earmarked reserves are created and held for specific ring fenced purposes or to help smooth out medium or long term financial risk and spending plans. They can also be held as carry forward of underspend as is the case where the council commits expenditure to specific projects but is unable to spend the budget in the year. Reserves in this instance are used as a mechanism to carry forward budgeted resources.

Earmarked reserves as at 31<sup>st</sup> March 2020

<b>Description</b>	<b>Amount</b>
Cemetery paths	£35,000
Council website	£2,000
Playground signs	£750
Christmas lights	£4,500
Parking	£20,000
<b>GRAND TOTAL</b>	<b>£62,250</b>

#### **4. FINANCIAL RESPONSIBILITY**

Under the council's Standing Orders the council is responsible for the overall management and control of its finances.

#### **5. ROLE OF THE RESPONSIBLE FINANCIAL OFFICER**

It is the responsibility of the Responsible Financial Officer to advise the council about the level of general reserve that it should hold and ensure that it has clear protocols for its establishment and use.

There are four significant safeguards in place against the council over committing itself financially:-

- The balanced budget requirement
- Responsible Financial Officer's Local Government Act 1972 Section 114 powers
- The external auditor's responsibility to review and report financial standing
- The year end report from the council's independent internal auditor

The council, on the advice of the Responsible Financial Officer, is required to make its own judgement on the level of reserves, taking into account all relevant local circumstances.

The Responsible Financial Officer has a fiduciary duty to local taxpayers and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.

#### **6. GENERAL FUND RESERVE**

In year use of general reserves requires council approval following a recommendation by a committee and must not be used for any level of recurring spending unless that spending will be included in the Revenue Budget for the following financial year.

#### **7. RISK ASSESSMENT**

Identifying the risks allows the council to take account of the circumstances around current structural change due to service provision and economic circumstances.

Risks can be identified as follows:-

- Risks from potential one off events
- Risk which will have general financial consequences

#### **8. INSURANCE COVER**

The greatest risk facing the council is not being able to deliver the activity or services expected of it. The council manages many of the underlying risks when it reviews the robustness of insurance providers, insurance and its systems.

Came & Company provides the council with tailored insurance cover to suit its needs. Employers liability £10,000,000, Public Liability £10,000,000 and Fidelity Guarantee £250,000 are statutory requirements under The Compulsory Insurance Act 1969 and Local Government Act 1972 Section 114.

Other voluntary areas of cover include all risks on protection of physical assets, money, hirer's liability, libel and slander, personal accident and legal and liability expenses.