



Reserves Policy

Adopted: October 2026, minute reference 26/139 (b)

1. Purpose of the Policy

This policy sets out how Stoke sub Hamdon Parish Council will establish, maintain, review, and use financial reserves. Its purpose is to ensure sound financial management, safeguard public funds, and provide clarity and transparency for councillors, residents, and auditors.

2. Types of Reserves

Stoke sub Hamdon Parish Council maintains two categories of reserves:

- **2.1 General Reserve** A working balance held to cushion the impact of uneven cashflow, unexpected events, or emergencies. It supports financial stability and ensures the Council can operate without interruption.
- **2.2 Earmarked Reserves** Funds set aside for specific, identifiable purposes. These may include projects, asset replacement, legal obligations, or known future liabilities.

3. General Reserve: Principles and Level

- **3.1 Minimum Level** The Council will maintain a General Reserve equivalent to between 3 and 12 months of operating expenditure, with the precise level determined annually based on risk, cashflow, and local circumstances.
- **3.2 Factors Considered** When setting the General Reserve level, the Council will consider:
 - volatility of income and expenditure;
 - known financial risks;
 - reliance on external contractors;
 - insurance excesses;
 - the scale and condition of Council assets;
 - any other relevant operational factors.
- **3.3 Action if Below Minimum** If the General Reserve falls below the minimum level, the Council will agree a plan to restore it within a reasonable timeframe.

4. Earmarked Reserves: Creation and Use

- **4.1 Establishing Earmarked Reserves** Earmarked Reserves may be created by resolution of the Council to support:
 - capital projects;
 - asset renewal or replacement;
 - legal or contractual obligations;
 - long-term maintenance programmes;
 - specific community initiatives;
 - any other defined purpose.
- **4.2 Spending from Earmarked Reserves** Expenditure from an Earmarked Reserve must be authorised by the Council and used only for the purpose for which the reserve was established.
- **4.3 Reviewing Earmarked Reserves** Each reserve will be reviewed annually to confirm:
 - the continuing need for the reserve;
 - the adequacy of the balance;
 - whether the reserve should be increased, reduced, or closed.

5. Establishing New Reserves

When proposing a new reserve, the Council will record:

- the purpose of the reserve;
- the estimated cost of the project or liability;
- the planned timeframe;
- the method of funding (precept, grants, transfers, or other income).

6. Transfers Between Reserves

Transfers between reserves may only be made by formal resolution of the Council. Any transfer must be supported by clear justification and recorded in the minutes.

7. Use of Reserves in Emergencies

In exceptional circumstances, the Council may authorise use of reserves to respond to urgent or unforeseen events. Any such decision will be recorded with clear reasoning and a plan to restore reserve levels where appropriate.

8. Reporting and Transparency

- Reserve balances will be reported to the Council at least quarterly.
- All reserves will be listed in the annual budget, end-of-year accounts, and AGAR documentation.
- Changes to reserves will be minuted clearly for audit transparency.

9. Review of Policy

This policy will be reviewed annually or sooner if required due to legislative changes, audit recommendations, or material changes in financial risk.