Sturminster Newton Town Council

Reserves Policy

This policy explains how the Council will hold, use and review its reserves. It should be read alongside the Practitioners' Guide 2026/7 (Proper Practices), the Accounts & Audit Regulations, the Council's Financial Regulations and the Council's Financial Risk Assessment.

1. Purpose

The Council holds reserves to support sound budgeting, protect services and meet future costs. This policy is reviewed annually and when financial risks or service responsibilities change materially.

2. Types of reserve

2.1 General Reserve

The General Reserve is not set aside for a specific purpose. It provides cash-flow support and protects the Council against emergencies and unexpected financial pressures. This is particularly important because the Council has no separate contingency budget.

2.2 Earmarked Reserves

Earmarked Reserves (EMRs) are held for specific purposes, including commuted sums, asset replacement, specific contingencies and future projects. Each EMR must have a clear purpose and be reviewed annually.

3. General Reserve

The Council aims to hold a General Reserve equal to three to six months of net running costs, within the sector-recommended range of three to nine months. The RFO will document the calculation when reviewing the accounts at the end of each financial year.

If the reserve is above the target, the RFO may recommend transferring the surplus to an EMR or using it to limit precept increases. Before doing so, the RFO must consider cash flow, financial risks, known liabilities and the Council's medium-term needs. Full Council must approve any transfer.

If the reserve is below target, the RFO may recommend increasing the next precept to raise the general reserve to the appropriate level.

4. Earmarked Reserves

EMRs help the Council meet known commitments, replace assets, fund projects over more than one year and manage service or infrastructure needs. Money may be used only for the stated purpose of the reserve.

5. Responsibilities

5.1 Full Council

Approves the creation or closure of EMRs and all transfers to or from reserves on recommendation of the Finance & Policy Committee.

5.2 Finance & Policy Committee

Approves this policy each year.

Monitors reserve levels and reviews the EMR schedule on a quarterly basis.

Checks compliance with the Council's Financial Regulations.

5.3 Responsible Finance Officer

Advises on reserve levels, maintains the records and ensures reserves are used for their stated purpose.

Safeguards public money and ensures it is managed responsibly in taxpayers' best interests.

6. Reporting

The RFO will report reserve balances, movements, commitments and material variances to the Finance & Policy Committee each quarter. General and earmarked reserves will also be reported through the AGAR and published accounts.

7. Review and approval

The RFO and Finance & Policy Committee will review this policy and the reserves schedule at least once a year, and sooner if risks, services or planned capital spending change materially.

Approved on: 28 October 26

Review due: October 2027