Sturminster Newton Town Council
Reserves Strategy & Policy

This document constitutes the Council's Reserves Strategy & Policy, prepared in accordance with:
- Practitioners' Guide 2025 (Proper Practices)
- Accounts & Audit Regulations
- The Council's Financial Regulations
- The Council's Financial Risk Assessment

It ensures the Council maintains adequate financial resilience, protects service delivery, and plans effectively for future obligations.

1. Purpose of this Strategy

This Strategy sets out how the Council determines, maintains, and reviews its reserves.
It supports annual budgeting, financial planning, service continuity and robust governance.
The Strategy is reviewed annually and whenever the Council's financial risks change materially.

2. Types of Reserves

The Council maintains two categories of reserves:

2.1 General Reserve
A non-ring-fenced working balance used to:
- Provide cash-flow support
- Protect against emergencies
- Absorb unexpected financial pressures
- Maintain resilience, especially as the Council has no contingency budget

2.2 Earmarked Reserves (EMRs)
Funds set aside for specific purposes, including:
- Commuted Sums
- Sinking Funds
- Specific Contingency Funds
- Future Project Funds

Each EMR has a documented purpose and is reviewed annually.

3. General Reserve Strategy

3.1 Target Level
The Council sets a General Reserve target of 6 months running costs, within the sector-recommended 3–9 month range.

3.2 Rationale
This level ensures:
- Emergency and operational resilience
- Protection from sudden financial shocks
- Continuity of services
- Stability of the precept

3.3 Replenishment
If projected General Reserves fall below 6 months at budget-setting:
A dedicated “Reserves Replenishment” budget line will be added to rebuild the reserve.

3.4 Excess Reserves
If General Reserves exceed 6 months:
Surplus may be transferred to EMRs or used to moderate precept increases, subject to RFO advice.

4. Earmarked Reserves Strategy

EMRs ensure the Council can:
- Meet known future obligations
- Replace assets responsibly
- Fund multi-year projects
- Manage service and infrastructure needs

All EMR categories operate as:
- Commuted Sums
- Sinking Funds
- Specific Contingency Funds
- Future Project Funds

Each reserve is reviewed annually by the RFO and Finance & Policy Committee.

5. Roles and Responsibilities

5.1 Full Council
- Approves this Strategy annually on recommendation of the Finance & Policy Committee
- Sets the General Reserve target
- Approves creation or closure of EMRs
- Approves all transfers to/from reserves

5.2 Finance & Policy Committee
- Monitors reserve levels during the year
- Reviews EMR schedules
- Ensures compliance with Financial Regulations

5.3 Responsible Finance Officer (RFO)
- Advises on required reserve levels
- Maintains reserve records
- Ensures use of reserves matches their purpose
- Exercises fiduciary responsibility to taxpayers

6. Reporting and Transparency

- Quarterly: Reserves reported through budget monitoring
- Annually: Full reserves schedule included in budget papers
- AGAR: Detailed reporting of General and Earmarked reserves
- Public transparency via accounts and published documents

7. Review

This Strategy will be reviewed annually and whenever material changes occur in financial risk or service responsibilities.

Approved on: 26 November 25

Review Due: November 26