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| <b>Title</b>           | Financial Reserves Policy |
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## RESERVES POLICY

**Re-adopted on 5 March 2026**

### Introduction

1. Carhampton Parish Council (the Council) is required to maintain adequate financial reserves to meet its statutory obligations, manage financial risk and support its strategic objectives.
2. The Council has regard to the guidance contained within the Smaller Public Sector Practitioners' Guide (SPPP) 2025, which states that authorities must:
  - Put in place a General Reserve Policy;
  - Review the level and purpose of all Earmarked Reserves at least annually
  - Ensure reserves are sufficient to finance both day-to-day operations and future plans;
  - Transparently publish the level and rationale for holding reserves.
3. The purpose of this policy is to set out how the Council determines, maintains and reviews the level of reserves. The Council will have regard to this policy when setting its annual budget.

### General Reserves

4. These are funds which do not have any restrictions on their use. They
  - cushion the impact of uneven cash flow; and
  - provide contingency to cover unexpected inflation, unforeseen events, and unusual circumstances.

In accordance with SPPP 2025 guidance, the generally accepted recommendation is that smaller authorities maintain General Reserves of between three and twelve months of net revenue expenditure.

5. Having considered the Council's:
  - Size and level of activity;
  - Risk profile;
  - Asset base and associated liabilities;
  - Contractual commitments;



- Reliance on precept and any other income sources.

the Council will maintain its General Reserve at between 6 and 12 months of net revenue expenditure, unless formally resolved otherwise, with reasons recorded in the minutes.

### **Management of General Reserves**

6. The level of General Reserves is agreed when setting the budget for the forthcoming year taking account of the strategic, operational and financial risks facing the Council.
7. The status of General Reserves will be reported to the Council as part of the monthly bank reconciliation statement.
8. Any surplus on the reserve above the required balance may be used to fund capital expenditures, be appropriated to earmarked reserves or used to limit any increase in the precept.
9. If, in extreme circumstances, General Reserves have been exhausted due to major unforeseen spending pressures within a particular financial year, the Council may draw down from Earmarked Reserves (excluding Earmarked Reserves where the source of funds is a Grant, Loan, or Developer Contribution).

### **Earmarked Reserves**

10. Earmarked Reserves must be held for genuine and identifiable purposes and projects, and their level should be subject to regular review and justification at least annually. They should be separately identified and enumerated.
11. Examples of Earmarked Reserves might include: -
  - Developer Contributions (S106/CIL): which may only be used for specified purposes
  - Capital Spend Projects: funds which are steadily built-up over several years for future projects (avoiding the need to significantly vary annual budgets)
  - Carry forward of budgeted project funds into the next financial year when a project has been delayed or not yet completed.

### **Management of Earmarked Reserves**

12. Any decision to set up an Earmarked Reserve must be made by the Council. The purpose and intended use must be clearly minuted.
13. the Responsible Financial Officer will record and maintain a schedule of all Earmarked Reserves. and reported them to the Council as part of the monthly review of income and expenditure against budget.
14. When the purpose of an Earmarked Reserve becomes obsolete, or where there is an overprovision of funds, the Council may resolve to transfer the excess to other budget headings, to General Reserves, or to one or more other Earmarked Reserves.
15. Where EMRs represent a significant proportion of annual expenditure, the justification and intended use will be clearly recorded to ensure transparency and audit compliance.