
Reserves Policy

Much Hoole Parish Council

MAY 2026

Amy Evans
Clerk, Much Hoole Parish Council



Purpose

The purpose of this policy is to ensure that Much Hoole Parish Council maintains adequate financial reserves to support its ongoing operations, meet future commitments, and manage financial risks. This policy will set out how the Council will determine and review the level of reserves.

Reserves form an essential part of the Council's financial planning and must be held for clear and justifiable purposes, rather than simply accumulated without defined use.

Definition of Reserves

Reserves are funds that are freely available to the Council after accounting for all committed and restricted funds.

The Council may hold reserves categorised as 'general' or 'earmarked'.

Types of Reserves

1.1 General Reserves

General Reserves are funds which are freely available and not earmarked or restricted for any specific purpose. These reserves are maintained to cushion the impact of uneven cash flows, provide flexibility in managing the Council's budget, and enable the Council to respond to unforeseen or exceptional expenditure.

General reserves are held to:

- Manage cash flow
- Provide a contingency for unforeseen expenditure
- Support the Council in the event of unexpected financial pressures

The Council will aim to maintain general reserves at a level of between 3 and 12 months of net revenue expenditure, depending on risk and financial circumstances.

1.2 Earmarked Reserves

Earmarked Reserves are funds set aside for specific purposes and may only be used for the purpose for which they were established. They enable the Council to plan for known or anticipated future expenditure and manage financial risk.

Earmarked Reserves may be held for:

- Asset renewal and maintenance
- Carry forward of committed but unspent project funds
- Community Infrastructure Levy (CIL) and other developer contributions, which are restricted by legislation or agreement
- Known or predicted liabilities or projects

The creation, amendment, or closure of Earmarked Reserves must be approved by the Council. All Earmarked Reserves will be reviewed annually as part of the budget-setting process, with recommendations provided by the Responsible Financial Officer.

Where a reserve is no longer required or funds are in excess, the Council may approve the transfer of any surplus to General Reserves or other Earmarked Reserves, subject to any legal restrictions.

Determining the Level of Reserves

When setting the level of reserves, the Council will consider:

- Annual budget and precept level
- Known future expenditure and projects
- Condition and lifecycle of assets
- Risks and potential liabilities
- Inflation and cost pressures
- Availability of external funding

The Council will ensure that reserves are maintained at a level that is appropriate, justified, and proportionate to its activities.

Use of Reserves

Reserves may be used for:

- Planned capital expenditure
- One-off projects
- Emergency or unforeseen costs
- Smoothing the impact of uneven income or expenditure

Use of reserves must be approved by the Council and will be considered as part of the budget-setting process and financial monitoring.

Review and Accountability

- The level and purpose of reserves will be reviewed annually as part of the budget-setting process
- The Responsible Financial Officer will report on reserves in regular financial statements
- The Council will clearly explain its reserves in financial reports and to the public

Transparency

The Council will:

- Clearly identify reserves in its accounts
- Explain the purpose of each reserve
- Ensure compliance with audit and governance requirements

Adoption and Review

This Reserves Policy was adopted by Much Hoole Parish Council on: 11th May 2026

This policy will be reviewed annually at the Council's Annual Meeting (normally held in May) or sooner if required.

Signed

Clerk: _____

Name: _____

Date: _____

Chair: _____

Name: _____

Date: _____