

Knowsley Town

Council



Reserves

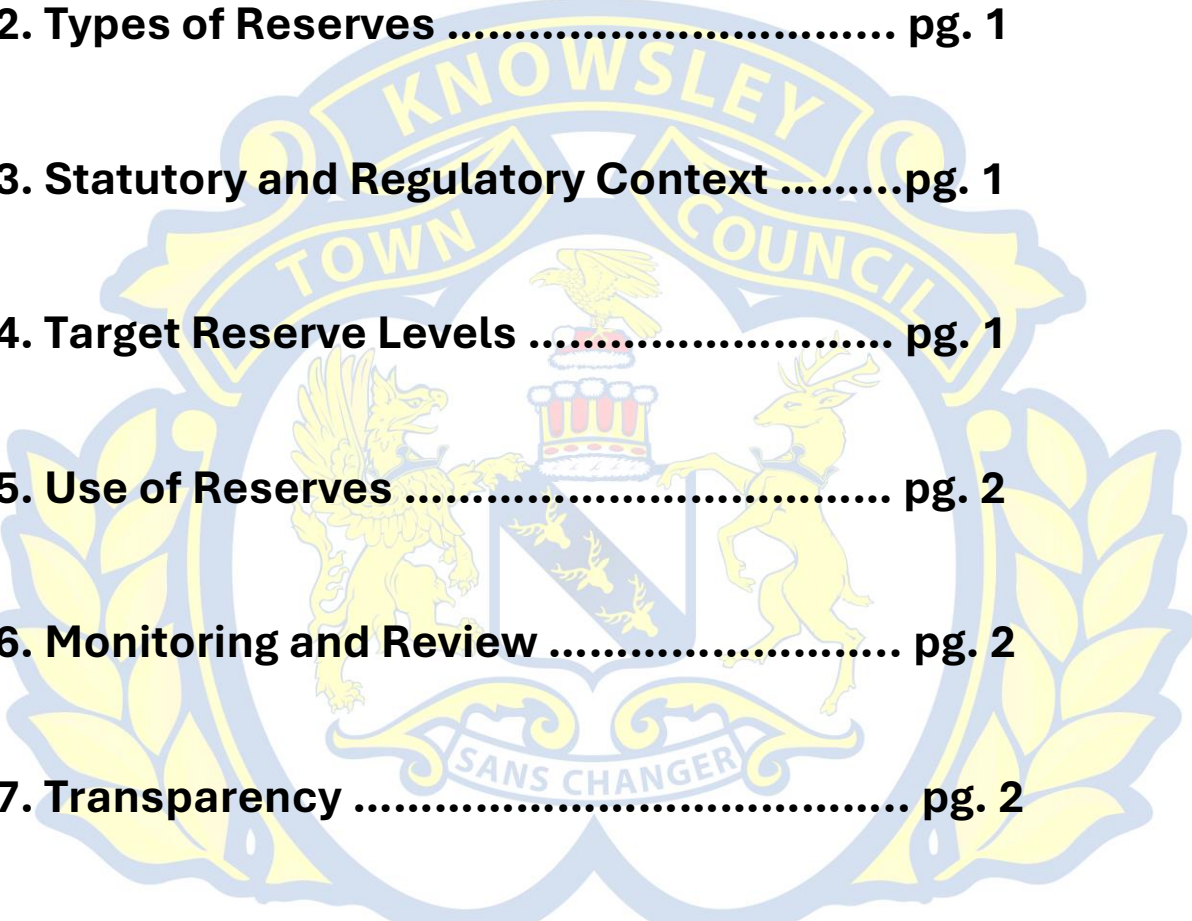
Policy

Adopted 19/02/2026

Next Review Due: 20/02/2027

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Knowsley Town Council

Reserves Policy

1. Purpose

This policy outlines the Council's approach to managing its reserves, ensuring they are held at an appropriate level and used responsibly in line with statutory responsibilities and best financial practice.

2. Types of Reserves

a. General Reserve

This is an unallocated balance held to cover unexpected expenditure or emergencies. It acts as a financial safety net.

b. Earmarked Reserves

These are funds set aside for specific projects, future liabilities, or known commitments. They may be built up over several years and must be reviewed regularly.

3. Statutory and Regulatory Context

This policy is aligned with:

- **The Accounts and Audit Regulations 2015**
- **The Practitioners' Guide 2025 (SAPPP)** – specifically Assertion 1 (financial management) and Assertion 5 (risk management) of the Annual Governance Statement.

4. Target Reserve Levels

a. General Reserve

The council aims to hold between **3 and 12-months' net revenue expenditure**, as advised by the Practitioners' Guide.

- For smaller councils with limited income streams, **6 months** is considered prudent.
- For larger councils or those with seasonal cash flow, a higher buffer may be justified.

The precise amount will be reviewed annually as part of the budget-setting process.

b. Earmarked Reserves

These will be established by resolution of the Council and may include (but are not limited to):

- Election costs
- Play area refurbishment

- Asset replacement
- Community infrastructure
- Legal contingencies

Each reserve must have:

- A clear **purpose**
- An **opening balance**
- Any **planned contributions or use**
- A **review date**

5. Use of Reserves

- **General reserves** may only be used with Council approval and should not be used to fund ongoing expenditure unless as a temporary measure while alternative funding is sought.
- **Earmarked reserves** must only be used for the purpose they were created. Any change in purpose must be approved by resolution of the Council.

6. Monitoring and Review

- Reserve levels will be monitored throughout the year by the RFO.
- A full review of reserves will take place **annually in Q1 (April–June)**, alongside the internal control and risk assessments.
- Reserve movements will be reported to Council through budget monitoring reports and the year-end accounts.

7. Transparency

All reserve balances will be reported as part of the **Annual Governance and Accountability Return (AGAR)**:

- Line 7 – Balances carried forward
 - Line 9 – Fixed assets and long-term investments
- Supporting explanations may be published on the Council's website to ensure transparency to residents.

8. Policy Review

This policy will be reviewed annually or in response to significant changes in:

- The Council's risk profile
- The financial environment
- Statutory guidance