

# Atherstone Town Council



## RESERVES POLICY

Adopted: 18<sup>th</sup> February 2026  
Next Review: February 2027

## 1. Purpose

This Reserves Policy sets out Atherstone Town Council's approach to establishing, maintaining, using, and reviewing financial reserves. The policy ensures that reserves are held at prudent, transparent, and justified levels in accordance with:

- The Local Government Finance Act 1992 (sections 31A and 42A)
- The Joint Panel on Accountability and Governance (JPAG) *Practitioners' Guide* (latest edition)
- Good financial management and audit expectations for local councils

The policy supports sound financial governance, protects the Council against financial risk, and ensures that public funds are used lawfully, efficiently, and ethically.

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## 2. Objectives

The objectives of this policy are to:

- Maintain adequate financial resilience to meet operational needs, emergencies, and unforeseen expenditure
  - Clearly distinguish between General Reserves and Earmarked Reserves
  - Support medium-term financial planning and sustainable budgeting
  - Ensure reserves are transparent, justified, and regularly reviewed
  - Demonstrate compliance with audit and governance best practice
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## 3. Classification of Reserves

The Council's reserves are classified as either **General Reserves** or **Earmarked Reserves**, each serving a distinct purpose.

### 3.1 General Reserves

General Reserves represent the Council's working balance and contingency fund. They are held to:

- Manage uneven cash flows
- Cover unexpected or emergency expenditure
- Provide short-term financial resilience
- Support continuity of service delivery

General Reserves must not be used to fund ongoing or recurring expenditure, as this would be unsustainable.

## Minimum and Target Level

The Council will maintain General Reserves within a **target range of 3 to 12 months of net annual revenue expenditure**, in line with JPAG guidance. As a larger local council, the Council will normally seek to remain toward the lower-to-middle part of this range unless risk assessment indicates otherwise.

The exact level of General Reserves will be reviewed annually as part of the budget-setting process, taking into account:

- The Council's risk profile
  - Inflationary pressures
  - Service commitments
  - Capital and infrastructure liabilities
  - Known financial risks and uncertainties
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## 3.2 Earmarked Reserves

Earmarked Reserves are funds set aside for specific, identifiable, and time-bound purposes. They are established to ensure financial provision for known or anticipated liabilities and planned expenditure.

Earmarked Reserves may include, but are not limited to:

- **Capital and asset renewal** – replacement of assets, major repairs, and infrastructure projects
- **Carry-forward of underspends** – where approved projects span more than one financial year
- **Insurance and risk reserves** – to meet uninsured liabilities or excesses
- **Elections** – to manage the cost of scheduled or unscheduled elections
- **Legal, contractual, or regulatory liabilities**

There is no upper or lower limit on Earmarked Reserves, provided that:

- Each reserve has a clearly defined purpose
  - The amount held is proportionate to the identified need
  - The reserve is regularly reviewed and justified
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#### **4. Establishment, Use, and Control of Reserves**

- All decisions to establish, amend, or close a reserve must be approved by Full Council
- Expenditure from any reserve must be authorised by Council resolution
- Transfers between General and Earmarked Reserves must be formally approved and minuted
- Reserves must not be used to artificially reduce the precept or disguise underlying budget pressures

Where reserves are used to address short-term funding gaps, a clear plan must be in place to replenish them in future budgets.

All Earmarked Reserves will be recorded on a central schedule maintained by the Responsible Financial Officer (RFO), setting out:

- The purpose of each reserve
  - The opening and closing balances
  - Planned movements and anticipated drawdown dates
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#### **5. Emergency and Contingency Planning**

The Council will maintain an identifiable contingency within the General Reserve to support urgent and unforeseen expenditure, including:

- Damage to Council assets or land
- Loss of key contractors or services
- Unplanned or contested elections
- Severe weather or emergency response
- Short-term financial shocks

Emergency expenditure will be authorised in accordance with the Council's Financial Regulations, with retrospective reporting to Council where necessary.

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#### **6. Monitoring, Reporting, and Transparency**

- The RFO will report reserve balances and movements to Council at least twice per year
- A full Reserves Position Report will accompany the annual budget and precept-setting process

- Total reserves will be reviewed in relation to the annual precept to ensure continued justification
  - All reserve balances and movements will be disclosed in the year-end accounts and Annual Governance and Accountability Return (AGAR)
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## **7. Relationship to Other Financial Policies**

This Reserves Policy should be read alongside the Council's:

- Financial Regulations
- Investment Strategy
- Risk Management Framework
- Medium-Term Financial Plan

Together, these documents provide a coherent framework for financial governance and decision-making.

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## **8. Review and Adoption**

This policy will be reviewed annually by the Full Council for adoption each February, or earlier if there are significant changes to the Council's financial position or risk profile.

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**Approved by Atherstone Town Council: February 2026**

**Date: 18/02/2026**

