

# **Investment and Reserves Policy**

**This policy was formally adopted by**

**St Cleer Parish Council**

**on**

**28.05.25**

Review Date 28.05.26

## **St Cleer Parish Council Investment Strategy**

**1** The Investment of surplus funds by local authorities is governed by the Local Government Act 2003, section 15(1)(a) and Guidance issued by the Secretary of State under that Act. This applies to Investments between £10,000 and £500,000.

**2** The Guidance recommends that a council produces an Annual Investment Strategy which sets out its policy for managing the investments and giving priority to the liquidity and security.

**3** A 'Specified Investment' is one which is made in sterling, is not long term (less than 12 months) not defined as capital expenditure and is placed with a body which has a high credit rating or made with the UK Government, a UK Local Authority or a parish or community council.

**4** Any other type of investment is considered 'Non Specified Investment' to which there can be greater risk and where professional investment advice might be required.

**5** Local authorities should keep strategies simple and maintain prudence at all times.

### **Strategy**

St Cleer Parish Council (the Council) has adopted the following Investment Strategy:

**6** The Council acknowledges the importance of prudently investing its temporary surplus funds held on behalf of the community.

**7** The Council's priorities will be centred on the security (protecting the capital sum from loss) and then liquidity (keeping the money readily available for expenditure when needed) of its reserves.

**8** Adopt the Secretary of State's Guidance in relation to council investments in full (Department for Communities & Local Government "Guidance on Local Government Investments" 2nd Edition dated 11 March 2010).

**9** Carry out an annual cash flow forecast to ascertain expenditure commitments for the coming financial year.

**10** On the basis of that cash flow forecast, to invest only in:

- a. 'Specified Investments' or in
- b. 'Non Specified Investments' including longer term investment i.e. 12 months or more but which still offers the greatest security.
- c. Bodies with high credit ratings.

**11.** To review investments quarterly

Final decisions to invest will be made by Full Council or otherwise a delegated Committee thereof.

The Investment Strategy will be reviewed annually and approved by Full Council

## **Reserves Policy**

## **1. Purpose**

1.1 St Cleer Parish Council is required to maintain adequate Financial Reserves to meet the needs of the Parish Council. Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to have regard to the level of Reserves needed for meeting estimated future expenditure when calculating the budget requirement.

1.2 Local Councils have no legal powers to hold revenue reserves other than for reasonable working capital or for specifically earmarked purposes. It follows that the year-end General Reserve should not be significantly higher than the annual precept. If the amount of reserves at the year-end are above a certain level in relation to the annual precept the council must give an explanation of the reserves held to the Auditor.

1.3 There is no specified minimum level of reserves that an authority should hold, but The Practitioner's Guide 2025 on Governance and Accountability for Small Authorities in England recommends between three and twelve months of net revenue expenditure. The purpose of this policy is to set out how the Council determines and reviews the level of reserves.

1.4 St Cleer Parish Council aims to maintain a general reserve of around six months net revenue expenditure, approximately £50,000

## **2. Types of Reserve**

2.1 The council holds 3 types of reserves categorised as: General Reserves, Earmarked, and Ringfenced

- General Reserves - held to cushion the impact of uneven cashflow or unexpected events,
- Earmarked -held for specific purposes
- Ringfenced - held for one purpose only and cannot be transferred, for example grants allocated for a specific project only, which may not be used for any other purpose

The Responsible Financial Officer will keep a schedule of reserves held at the year-end within the council's accounting package.

## **3. General Reserves**

3.1 General Reserves do not have any restrictions as to their use. These reserves can be used to smooth the impact of uneven cash flows, offset budget requirements if necessary or can be held in case of unexpected events or emergencies.

3.2 The primary means of building the General Reserve is through an allocation in the annual budget.

3.3 Approval of the full council is required to move funds from the General Reserve. The level of financial reserves held by the council will be agreed by the council during the discussions held regarding the setting of the budget for the next financial year.

3.5 Guidance states that 'a council should typically hold between 3- and 12-months expenditure as a general reserve' (Good Councillor's Guide on Finance & Transparency)

## **4. Earmarked Reserves**

4.1 Earmarked Reserves will be established on a "needs" basis in line with anticipated requirements to meet known or predicted liabilities.

4.2 Earmarked Reserves must be reviewed and / or established by the council at the annual budget setting meeting.

4.3 Expenditure from earmarked reserves can only be authorised by the full council at a Parish Council meeting.

4.4 Any decision to set up a reserve must be made by the Council.

4.5 All Earmarked Reserves are recorded within the council's accounting package and held by the Responsible Financial Officer which lists the various Earmarked Reserves and the purpose for which they are held.

4.6 Sums can be moved between earmarked reserve headings, by council resolution only, should the need arise or should priorities change.

The council may hold Earmarked Reserves in the following categories:

- Carry forward of underspend, where some expenditure is budgeted for projects but not spent in that financial year. Reserves are used as a mechanism to carry forward these resources.
- Reserves built up over a time period, for example, to pay for an election. The setting aside of funds over a period of time to meet known future expenditure reduces the impact of meeting the full expenditure in one year.

There is no statutory upper limit save that they must be held for genuine and intended purposes.

Reviewing the Council's Financial Risk Assessment is part of the budgeting and year end accounting procedures and identifies planned and unplanned expenditure items and thereby indicates an appropriate level of Reserves.

Reserves should not be held to fund ongoing expenditure. This would be unsustainable, as at some point the reserves would be exhausted. If reserves are used to meet short term funding gaps, they must be replenished in the following year. However earmarked reserves that have been used to meet a specific liability would not need to be replenished, having served the purpose for which they were originally established.

## 5. Ringfenced Reserves

5.1 These are funds that cannot be used for any other purpose and are recorded in the council's accounting package. For example;

- **Community Infrastructure Levy** - CIL Regulation 59C sets out that a local council must use CIL receipts passed to it to 'support the development of the local council's area, or any part of that area, by funding: a) the provision, improvement, replacement, operation or maintenance of infrastructure: or b) anything else that is concerned with addressing the demands that development places on an area
- **S106 Developers Contribution** – generated through new housing developments.
- Other ringfenced funds, for example donations/grants for a specific item could occur during the year.