



Sutton Courtenay Parish Council

Investments & Reserves Policies

Investments Policy

1. Introduction

- 1.1. This policy is created under guidance issued by the Secretary of State for Communities and Local Government in accordance with the Local Government Act 2003. The extant guidance was issued by DCLG in 2010.
- 1.2. Sutton Courtenay Parish Council acknowledges its responsibility to the community and the importance of prudently investing any reserves held by the council.

2. Objectives

- 2.1. The general policy objective of the Council is prudent investment of its balances. The Council's investment priorities are:
 - Security of reserves and then
 - Liquidity of investments
- 2.2. The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

3. Investment policy

- 3.1. The Parish Council shall diversify its reserves between multiple relatively highly rated UK banks and building societies. The Parish Council shall only use specified investments as defined by the Ministry of Housing, Communities and Local Government guidance.
- 3.2. The Parish Council shall only invest with banks/building societies which it defines as "High Credit Quality". This being those with a credit rating of A with Moody's Investors Service, or BBB with Standard and Poor's, or Fitch Ratings Ltd.
- 3.3. Investments shall be decided and placed by the Responsible Financial Officer having used due diligence including as a minimum finance search engines and ratings agencies.
 - a. This shall be under the oversight of the Full Council
 - b. The actual movement of money shall be by the usual authorised signatories
- 3.4. The procedure for undertaking investments, considering the need for timely and speedy placing of deals) shall be documented by the Responsible Financial Officer and approved by the Council before any investments are placed.
- 3.5. The Responsible Financial Officer shall review credit ratings of organisations in which the Council holds investments on an annual basis. Should the credit rating of an organisation fall below that specified under 3.2, the Responsible Financial Officer shall consult the Council and take the appropriate action.

4. Revision

- 4.1. Any revisions to this policy shall be approved by the Full Council.
- 4.2. The Responsible Financial Officer shall review this policy annually and recommend any proposed changes to Full Council prior to the commencement of the new financial year. Where no changes are proposed, Full Council shall note the policy.
- 4.3. Notwithstanding 4.2 this policy shall be reviewed in the event the Bank of England increases its base rate above 3% or the Financial Services Compensation Scheme changes in relation to its cover of the Parish Council.



Sutton Courtenay Parish Council

Reserves Policy

5. Introduction

Sutton Courtenay Parish Council is required to maintain adequate financial reserves to meet the needs of the organisation. The purpose of this policy is to set out how the Council will determine and review the level of reserves.

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. However, there is no specified minimum level of reserves that an authority should hold and it is the responsibility of the Responsible Financial Officer to advise the Council about the level of reserves and to ensure that there are procedures for their establishment and use.

6. Types of Reserves

Reserves can be categorised as general or earmarked (EMR).

Earmarked reserves can be held for several reasons:

- Renewals – to enable services to plan and finance an effective programme of vehicle, equipment and infrastructure replacement and planned property maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.
- Carry forward of underspend - some services commit expenditure to projects, but cannot spend the budget in year. Reserves are used as a mechanism to carry forward these resources.
- Insurance reserve – to enable the Council to meet the excesses of claims not covered by insurance.
- Other earmarked reserves may be set up from time to time to meet known or predicted liabilities.

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

7. Earmarked Reserves

Earmarked reserves will be established on a “needs” basis, in line with anticipated requirements.

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

Expenditure from reserves can only be authorised by the Council.

Reserves should not be held to fund on-going expenditure. This would be unsustainable as, at some point, the reserves would be exhausted. To the extent that 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.

All Earmarked Reserves are recorded on a central schedule held by the Responsible Financial Officer which lists the various Earmarked Reserves and the purpose for which they are held. 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.



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8. Reviewing the level of General and Earmarked Reserves

Determining the level of General Reserves is a key component of both the medium-term financial strategy and the annual budget process. The Parish Council is responsible for maintaining adequate working balances to address the key risks identified in its financial risk assessment.

The Parish Council will decide on the appropriate level of financial reserves during the budget setting discussions for the upcoming financial year. A review of earmarked reserves will take place in March, and will be documented in the minutes.

In line with the NALC Practitioners' Guide, the Council aims to maintain General Reserves at 50% of the annual precepted amount, which is intended to cover six months' worth of expenditure. (For clarity, this reserve level refers to 50% of the precept itself, rather than six months of expenditure.)

If unforeseen circumstances lead to a depletion of General Reserves due to significant and unexpected spending pressures within a given year, the Council may draw from its Earmarked Reserves to provide short-term funding.

Regardless of financial pressures, the Council must maintain a minimum balance in General Reserves sufficient to cover at least one month's staff salaries at all times.