

Upper Rissington Parish Council

Financial Reserves Policy and Investment Strategy

Financial Reserves

1. Introduction

- 1.1. Upper Rissington Parish Council is required to maintain adequate financial reserves to meet foreseeable needs and commitments, and to have money available in the event of an emergency. The purpose of this policy is to set out the establishment, maintenance and adequacy of reserves and balances.
- 1.2. 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.
- 1.3. Reserves can be categorised as general (e.g. held to cushion the impact of uneven cash flows or unexpected events) or earmarked (held for a specific purpose).
- 1.4. As with any financial entity, it is essential that authorities have sufficient reserves (general and earmarked) to finance both its day to day operations and future plans. It is important, however, given that its funds are generated from taxation, that reserves are not excessive.

2. General Reserve

- 2.1. The use of general reserves is not restricted. It can be used to level the impact of uneven cashflows, offset the budget requirement or to manage unexpected events or emergencies.
- 2.2. The generally accepted recommendation with regard to the appropriate minimum level general reserve is that this should be maintained at between 3 and 12 months' net revenue expenditure – i.e. income less any loan repayments, capital projects and transfers to earmarked reserves.
- 2.3. Upper Rissington Parish Council will aim to maintain general reserves at 6 to 9 months operating expenditure over the medium term and will plan the budget so as to achieve this level within three years of POS adoption.
- 2.4. Prior to POS adoption there is a recognised requirement to maintain a higher level of general reserves than would normally be required to cater for unforeseen requirements. Reserves held for specific projects identified post-POS adoption should be transferred to earmarked reserves.
- 2.5. If, in extreme circumstances, General Reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Council is able to draw down from its Earmarked/Specific Reserves to provide short-term resources.
- 2.6. Any surplus on the reserve may be used to fund capital expenditure, be appropriated to earmarked reserves or used to limit any increase in the precept.

3. Earmarked Reserves

- 3.1. Earmarked reserves represent amounts that may be built up over a time period which are earmarked for specific items of expenditure to meet known or anticipated liabilities or projects.
- 3.2. Earmarked reserves must be held for genuine and intended purposes, and their level subject to regular review and justification (at least annually).
- 3.3. Any decision to set up a reserve must be made by the Council and will record the reason/purpose of the reserve, and how and when the reserve can be used.

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- 3.4. All earmarked reserves will be recorded on a schedule (Annex A) held by the Responsible Financial Officer which lists the various earmarked reserves and the purpose for which they are held. Earmarked reserves will be held in accordance with the Investment Strategy.
- 3.5. Expenditure from earmarked reserves can only be authorised by the Council.
- 3.6. Earmarked reserves that have been used to meet a specific liability do not need to be replenished, having served the purpose for which they were originally established.
- 3.7. Earmarked/Specific Reserves shall be reviewed on an individual basis. This review will also be undertaken as part of the Annual Budgetary Review process.
- 3.8. Where the purpose of an Earmarked/Specific Reserves becomes obsolete, or where there is an over-provision of funds, the excess may, on the approval of the Parish Council, be transferred to other budget headings within the budget or to the General Reserves or to one or more other Earmarked Reserves.

Investment Strategy

4. Introduction

4.1 The Investment of funds by local authorities is governed by Local Government Investments ('the Guidance'), issued under section 15(1)(a) of the Local Government Act 2003, effective from 1st April 2018.

4.2. The Guidance states:

- Where a town or parish council expects its investments at any time during a financial year to exceed £100,000, the Guidance should apply in relation to that year.
- Where a town or parish council expects its investments at any time during a financial year to exceed £10,000 but not £100,000, it should decide on the extent, if any, to which it would be reasonable to have regard to the Guidance in relation to that year.
- Where a town or parish council expects its investments at any time during a financial year not to exceed £10,000, no part of the Guidance need be treated as applying in relation to that year.

4.3 Upper Rissington Parish Council expects its investments during the 2021/22 and 2022/23 financial years to exceed £100,000 and therefore has agreed to apply the Strategy as set out in this document.

4.4. 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.

4.5. 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.

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

5. Strategy

5.1. The Council acknowledges the importance of prudently investing its temporary surplus funds (earmarked or otherwise) held on behalf of the community and agrees to adopt the Guidance in relation to council investments in full.

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- 5.2. The Council's priorities are, and 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.
- 5.3. Carry out an annual cash flow forecast, informed by the setting of the annual budget, to ascertain expenditure commitments for the coming financial year.
- 5.5. On the basis of that cash flow forecast, to invest only in:
- 'Specified Investments' and/ or in
 - 'Non-Specified Investments' including longer term investment i.e. 12 months or more but which still offers the greatest security (such as a UK financial institution which offers the full £85,000 UK Financial Services Compensation Scheme)
 - bodies with high credit ratings.
- 5.6. To review investments. listed at Annex B, at least annually.

This policy was reviewed and approved by Upper Rissington Parish Council on 10 January 2022.

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Annex A - Schedule of Earmarked Reserves

Date of last review: 10 January 2022

Earmarked reserves anticipated on 31 March 2022:

Purpose/Date/Resolution	Amount	Expiry date
Earmarked for S106 public open spaces Towards due diligence/legal costs of adoption Start date: 01 April 2019	£37,896	31 March 2023
County Council GOC Grant – £2,500 For enhancements to play park Start date: 07 March 2019 £1,901.40 spent on new pathway	£598.60	31 March 2023
Locality Grant (Neighbourhood Planning) Start date: 08 February 2019 £2,619 grant received £1,424.30 spent on consultancy Grant rolled over into new financial year	£1,194.70	31 March 2023
Allotments <i>Origin unknown</i>	£3,000	31 March 2023
Contribution from developer towards the expenses of the V/Hall <i>Start date not known</i>	£29,000	31 March 2025
Future maintenance of the POS <i>Start date not known</i>	£52,453	31 March 2029
Ongoing maintenance costs in the village <i>Start date not known</i>	£38,047	31 March 2029
To provide a teen shelter in the village <i>Start date not known</i>	£10,000	31 March 2023?
CIL Payments Xxx/21 £3813.80	£3813.60	31 March 2025
Ansell's Copse Development Jan 2021 120/21	£35,000	31 March 2025
TOTAL	£211,002.90	

Earmarked reserves to be released wef 31 Mar 2022:

Purpose	Amount	Reason
County Council AT Grant – Sports equipment	£294	Obsolete. Release to general reserves.
Resurfacing a Car Park in the village	£13,441	Obsolete. Release to general reserves.

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Parking Spaces	£19,371	Obsolete. Release to general reserves.
TOTAL	£33,106	

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Annex B. List of Parish Council Investments

Date of last review: 10 January 2022

Investments in place as at **31 Dec 2021**:

Bank/Acct No	Interest Rate	Notice	Balance
The Charity Bank Ltd	0.35%	Nil	£40,430.78
Hampshire Trust Bank	0.25%	90 Days	£85,000.00
New account iaw 017/22d. Transfer from HSBC (around £80K)	tbc	tbc	tbc
Total			£125,430.78

Remaining Parish funds sit in the following working accounts:

Lloyds Bank	Nil	Nil	£30,285.63
HSBC A/C *****371	0.01%	Nil	£117,590.77
HSBC A/C *****837	0.01%	Nil	£13,553.15
HSBC A/C *****461	0.01%	Nil	£19,372.49
Total			£180,802.04

No other funds or investments are held.

Grand Total			£306,232.82
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