

Maiden Newton and Frome Vauchurch Parish Council

Reserves and Investment Policy

1. Purpose

This policy sets out how Maiden Newton and Frome Vauchurch Parish Council will maintain, use, monitor and review its financial reserves and how it will manage any surplus funds held by the Council.

It supports the Council's Financial Regulations, Standing Orders, annual budget, risk management arrangements, internal controls and the requirements of the Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide.

The purpose of the policy is to ensure that the Council holds sufficient funds to meet its legal obligations, manage cash-flow pressures, maintain services and assets, deliver agreed projects and protect public money.

2. Link with Financial Regulations

This policy must be read alongside the Council's Financial Regulations. Where there is any conflict, the Financial Regulations take precedence.

The Financial Regulations require the Council to review bank mandates and banking arrangements, maintain effective internal controls, approve additions to or withdrawals from earmarked reserves, and consider the requirement for an Investment Strategy and Policy in accordance with statutory guidance.

The Council's Financial Regulations state that the Council has resolved to bank with Lloyds. Banking arrangements, including the mandate, must be authorised by the Council and reviewed annually for security and efficiency.

3. Responsibilities

The Council is responsible for approving this policy, setting the budget and precept, agreeing reserve levels, approving the creation or release of earmarked reserves, approving borrowing and approving any investment strategy or investment arrangements.

The Clerk/RFO is responsible for administering the Council's financial affairs, maintaining accounting records, advising the Council on appropriate reserve levels, preparing reports, managing day-to-day transfers within approved banking arrangements, and retaining documentation relating to bank accounts and investments.

No individual councillor, officer or informal group may make investment decisions or move Council funds except in accordance with the Council's Financial Regulations and an approved Council resolution or delegation.

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4. Types of Reserves

4.1 General Reserve

The general reserve is the Council's working balance. It is not allocated to a specific project or purpose and exists to protect the Council against unexpected expenditure, income shortfalls, cash-flow timing issues, emergency works and other financial risks.

As a guide, the Council will aim to maintain a general reserve broadly equivalent to between three and twelve months of net revenue expenditure. The precise level will be determined annually, taking into account the Council's budget, precept level, contractual commitments, asset responsibilities, insurance position, income risks and known future liabilities.

4.2 Earmarked Reserves

Earmarked reserves are funds set aside for a specific purpose or known future expenditure. They may include, but are not limited to, asset maintenance and replacement, elections, Community Infrastructure Levy (CIL) receipts, specific community projects, capital schemes, legal and professional costs, health and safety works, emergency repairs and employment-related liabilities.

Each earmarked reserve must have a clear purpose, an indicative value and, where possible, an expected timescale for use. Unspent funds for partially completed projects may only be carried forward by placing them in an earmarked reserve with the formal approval of the Council.

Any addition to, withdrawal from, transfer between, or release of an earmarked reserve must be agreed by the Council unless a specific delegation has been formally approved.

4.3 Restricted Funds

Restricted funds are monies that must be used for a particular purpose because of statute, grant conditions, legal agreement or another binding restriction. CIL monies are an example of restricted funds and must be recorded, reported and spent in accordance with the applicable rules and reporting requirements.

Restricted funds must be clearly identifiable in the Council's accounting records and must not be treated as free general reserves.

5. Setting and Reviewing Reserve Levels

Reserve levels will be reviewed as part of the annual budget-setting process and again at year end when the Annual Governance and Accountability Return (AGAR) is prepared.

The review will consider current and forecast balances, known commitments, expected project expenditure, the level and timing of the precept, contractual and employment obligations, asset condition and replacement needs, risk register matters, grant restrictions and the affordability of planned expenditure.

The RFO will provide information to support the review, including a statement of general reserves, earmarked reserves and restricted funds. The Council will minute its decision on the appropriate level of reserves when approving the budget and precept.

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6. Use of Reserves

Reserves may be used only for lawful expenditure by the Council. The use of reserves must be authorised in accordance with the Council's Financial Regulations, budgetary controls and scheme of delegation.

Where reserves are used for a specific project or item of expenditure, the RFO will record the movement in the accounts and report it to the Council.

Any proposal to use the general reserve should normally include an explanation of why the expenditure cannot be met from the current year budget and what impact the use will have on the Council's financial resilience.

Where general reserves fall below the level considered prudent by the Council, the Council will consider a plan to restore them over a reasonable period through budget provision, reduced expenditure, additional income or future precept setting.

7. Banking Arrangements

The Council banks with Lloyds, in accordance with the Council's Financial Regulations.

Banking arrangements, including the bank mandate, must be made by the RFO and authorised by the Council. They must not be delegated to a committee.

The Council will review its Lloyds banking arrangements and mandate at least annually for security, efficiency, access, signatory arrangements, fraud prevention and suitability for the Council's operational needs.

All Council bank accounts and investment accounts must be held in the name of Maiden Newton and Frome Vauchurch Parish Council. Council funds must not be held in the personal account of any councillor, officer or third party.

8. Investment Objectives

The Council's investment objectives are, in order of priority: security, liquidity and yield.

Security means protecting the capital sum held. Liquidity means ensuring funds are available when needed to meet Council commitments. Yield means obtaining a reasonable return only after security and liquidity have been satisfied.

The Council will not borrow, lend or invest for speculative purposes. Investments must be appropriate to the scale of the Council's funds and must not expose public money to unnecessary risk.

9. Permitted Investments

Subject to the Council's Financial Regulations, statutory requirements and Council approval where required, the Council may hold funds in Lloyds current, deposit or savings accounts, other UK bank or building society accounts, the Debt Management Account Deposit Facility or other

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UK Government-backed deposit facility where available and suitable, and other low-risk deposits approved by Council resolution.

The Council will not invest in shares, equity funds, cryptoassets, complex financial instruments, foreign currency speculation or any product where the capital sum is at material risk.

All investment certificates and other documents relating to investments must be retained in the custody of the RFO.

10. Diversification and Protection of Funds

Where balances are significant, the Council will consider whether it is appropriate to spread funds between more than one approved institution in order to manage risk, taking into account the Financial Services Compensation Scheme (FSCS) limit and the practical need to maintain efficient operational banking arrangements with Lloyds.

The RFO will report where balances held with one institution are materially above the FSCS limit so that the Council can consider whether further diversification is appropriate.

Diversification decisions must take account of the Council's size, the administrative burden of multiple accounts, access requirements, security, cash-flow needs and the Council's Financial Regulations.

11. Investment Decisions, Transfers and Authorisation

Investment decisions must be made by the Council or under delegated authority specifically approved by the Council.

The RFO may manage day-to-day transfers within the Council's approved banking arrangements to maintain cash flow, comply with payment arrangements or maximise interest, provided this is within the Council's Financial Regulations.

The Council's Financial Regulations permit fund transfers within the Council's banking arrangements up to the sum stated in the regulations, provided that such transfers are reported to the next appropriate meeting of the Council.

Any new investment account, change of banking provider, fixed-term deposit or movement of funds outside ordinary operational banking must be approved by Council resolution, unless an urgent decision is permitted under the Financial Regulations or an agreed delegation.

12. Reporting and Monitoring

The RFO will report balances, bank reconciliations and reserve movements to the Council in accordance with the Financial Regulations.

Reports should show, where appropriate, Lloyds bank balances, any other approved investment balances, the general reserve balance, earmarked and restricted reserve balances, income received including interest, significant transfers between accounts, and any concerns relating to security, liquidity or compliance.

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Bank reconciliations must be reviewed and signed in accordance with the Financial Regulations. Reserves and investments will be included in internal control checks and made available for internal and external audit as required.

13. Interest

Interest earned on general balances will normally be credited to general income unless the Council resolves otherwise.

Interest earned on restricted or earmarked funds may be credited to that fund where required by law, grant condition or Council decision.

14. Community Infrastructure Levy and Other Restricted Income

CIL receipts and any other restricted funds will be separately identifiable within the Council's accounting records.

The Council will ensure that such funds are used only for eligible expenditure and that any required reports are published or submitted within the relevant deadlines.

The holding of CIL or other restricted funds may increase the Council's total bank balance but must not be treated as increasing the Council's free general reserve.

15. Review of Policy

This policy will be reviewed annually, normally alongside the budget and precept-setting process, and whenever there is a significant change to the Council's Financial Regulations, legislation, statutory guidance, banking arrangements, Lloyds account arrangements or financial risk profile.

16. Adoption

This Reserves and Investment Policy was adopted by Maiden Newton and Frome Vauchurch Parish Council on 04-06-26.