



## Reserves & Investment Policy

### 1. Purpose

St Mary Bourne Parish Council is required to maintain adequate financial reserves to protect against risk, maintain the assets of the parish and support investment in future projects which are beneficial to the parish.

Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to have regards to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. However, there is no specified minimum or maximum level of reserves that an authority should hold and it is the responsibility of the Responsible Financial Officer (RFO) to advise the council about the level of reserves and to ensure that there are procedures for their establishment and use.

### 2. Types of reserves

Reserves are categorized as either earmarked or general.

Earmarked reserves are held for the following reasons:

- Renewals – to allow for an effective programme of repair and/or replacement of parish assets and facilities. These reserves are a mechanism to smooth expenditure so that a sensible programme can be achieved without the need for significant variations in precept.
- Carry forward of underspend – some funding is committed to particular projects, but cannot be spent within the year. Reserves are used as a mechanism to carry forward these resources.
- Details of current reserves are provided to the Full Council each month as part of the agenda and minutes, and any changes to this record identified by the RFO at that meeting.

General reserves are funds held to provide reasonable working capital and do not have any restrictions as to their use. These reserves are held to maintain liquidity in the face of uneven cashflows, to provide against unexpected events or emergencies and to protect the services of the parish council in the event of a disruption to its income.

### 3. Earmarked reserves

Earmarked reserves will be established on a 'needs' basis. For each earmarked reserve held, the Responsible Financial Officer will:

- Identify the purpose of the reserve;
- Specify how and when the reserve can be spent;
- Set out a process for review of the reserve to ensure its continued relevance and adequacy. This process is to undertaken at least annually.

The Responsible Financial Officer, in consultation with the Finance Committee, is responsible for ensuring that earmarked reserves are spent in line with their purpose.

#### 4. General reserves

The level of general reserves is a matter of judgement and it is the responsibility of the Responsible Financial Officer to advise the Finance Committee on the level during the budget setting process, taking into account the following factors:

- The parish council's Financial & Management Risk Assessment;
- Expected changes in grant funding for parish council services from Basingstoke and Deane Borough Council and Hampshire County Council;
- Possible unfunded transfers of services from Basingstoke and Deane Borough Council and Hampshire County Council

#### 5. Investment strategy

The parish council recognizes the need to invest funds for the prudent management of its financial affairs.

The aim of the parish council's investment strategy is to match investments, as closely as possible, to the reserves being maintained, so that the appropriate funds are available when required.

The council's priorities in investing funds are:

- a. The security of capital to minimize the risk of losses;
- b. The liquidity of investments to meet the cashflow needs of the council.

To achieve these priorities:

- All investments will be with UK registered financial institutions.
- All investment will be in £ sterling.
- The credit rating of financial institutions used will be 'A' or above.
- Investments in a single financial institution will be limited to the FSCS bank protection limit.

It will be the responsibility of the Responsible Financial Officer, in consultation with the Finance Committee, to recommend the financial institution, value of investment and term for each investment.

Reviewed in August 2024

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