

Elmley Castle, Bricklehampton & Netherton Parish Council

Reserves & Investment Policy

Adopted – **20th July 2026**

Date of Review – **20th July 2027 or before**

1. Purpose of the Reserves Policy

This policy outlines the Parish Council's approach to the management and use of its financial reserves. The purpose of the policy is to ensure that the Council maintains appropriate levels of reserves, with clear guidelines for how and when these reserves can be used to meet future needs, and the investment of surplus funds. The Local Government Act 2003 states that an authority may invest: • For any purpose relevant to its functions under any enactment. • For the purpose of prudent management of its financial affairs.

2. Definition of Reserves

Reserves are funds held by the Parish Council that are set aside for specific or general purposes. These funds are not part of the Parish Council's regular annual budget but are held to cover unexpected events, emergencies, or long-term projects.

3. Types of Reserves

- **General Reserve:** A general-purpose fund that can be used to cover unanticipated costs, or to smooth over fluctuations in income and expenditure.
- **Earmarked Reserves:** Funds set aside for specific purposes, such as a major repair project, infrastructure improvements, or any other identified priority.

4. Reserves Level and Target

The Parish Council shall maintain a minimum level of reserves, which will be reviewed annually.

- **General Reserve Target:** The target for the General Reserve will be 3 - 9 months of operating expenditure.
- **Earmarked Reserves:** These will be set aside for specific projects, and the balance will be reviewed regularly to ensure it is still appropriate for the intended use.

5. Use of Reserves

Reserves should only be used for the following purposes:

- To cover unexpected or urgent expenditure, such as emergencies or unbudgeted projects.
- To fund capital projects that will enhance the assets of the Parish, such as repairs or upgrades to buildings, parks, and infrastructure.

- To smooth out fluctuations in annual income and expenditure.

6. Process for Approving the of Reserves

- For General Reserves: Any use of the General Reserve should be fully justified, and the Council must ensure that sufficient reserves remain to meet future obligations.
- For Earmarked Reserves: The use of earmarked reserves must align with the specific purpose for which the funds were set aside.

7. Review of Reserves

The Parish Council will review its reserves annually as part of the budget-setting process. The review will consider:

- The current balance of reserves.
- The anticipated financial needs of the Parish over the coming year.
- Any changes in risk or expenditure requirements that might affect the reserve levels.
- The adequacy of the reserve levels against the Parish's financial position and future commitments.

8. Reporting and Transparency

The Parish Council will ensure that there is transparency in the management of reserves by:

- Providing a summary of the reserves in the annual budget, and clearly stating the purpose and planned use of earmarked reserves.
- Including figures in the Clerk/RFO's Budget Report.
- Movement in Earmarked Reserves and General Reserves shall be reported to the Parish Council at monthly meetings if required.

9. Investment of Surplus Reserves

The Parish Council's investment priorities are:

- Security of its reserves
- The adequate liquidity its investments
- The return on the investment - the Council will aim to achieve the optimum return on its investment commensurate with the level of security and liquidity.

The Council will only make investments in 'Specified Investments'. Specified investments are those offering high security and high liquidity, made in sterling and with a right to repayment within 12 months. Such short-term investments made with the UK Government or a local authority or town or parish council will automatically be Specified Investments.

For the prudent management of its reserve balances, maintaining sufficient levels of security and liquidity, the Council will use deposits with banks, building societies, local authorities, or other public authorities.

10. Risk Management

The Parish Council recognises the importance of reserves in managing financial risk and ensuring continued service delivery. The policy will ensure that reserves are used responsibly, and the Council will maintain flexibility in response to financial challenges or unforeseen events.

11. Amendments to the Reserves and Investments Policy

Any amendments to this policy must be approved by the full Parish Council and will be reviewed annually to ensure it remains in line with the Parish's financial objectives and needs.