



BILSTHORPE PARISH COUNCIL

Treasury, Investments and Reserves Policy

Policy Background

- 1.1 Bilsthorpe Parish Council's Treasury, Investment Reserves Policy is conducted in accordance with:
 - a. The Local Government Act 2003 (the Act) and supporting regulations.
 - b. The Government and Accountability in England and Wales, A Practitioners Guide. This requires the local councils to prepare an Annual Investment Strategy which sets out the local councils' policies for managing its investments and for giving priority to the security and liquidity of those investments.
 - c. The Statutory Guidance on Local Government Investments (issued subsequent to the Act) which requires the production of an Annual Investment Strategy and gives guidance on how this should be completed.
- 1.2 The legislation and associated guidance is optional for local councils where investments are not expected to exceed £100,000 and no action is required below £10,000. However, for local councils where the sums involved exceed £100,000, the guidance is mandatory, which is the case for Bilsthorpe Parish Council (the Council).
- 1.3 It is not common for a local council to hold investments other than in the form of easily accessible bank deposits or other short-term savings accounts. These are often used to maximise income from cash balances during the financial year.

Definitions

- 2.1 Investments – all investments of more than 12 months in duration.
- 2.2 Treasury – all cash deposits held in bank accounts which includes bonds of up to 12 months in duration.

Policy Objectives

- 3.1 The overarching policy objectives are:
 - a. To invest prudently to ensure the security of the principal sums.
 - b. To maintain liquidity in the portfolio to meet the Council's spending plans.
 - c. To mitigate risk.
 - d. To seek the optimum returns available whilst remaining consistent with the proper levels of security and liquidity.
 - e. If the criteria outlined in a) - d) are satisfied then the most ethical option will be taken.

Investment Policy and Strategy

- 4.1 The Council will not hold funds other than in bank accounts or deposit bonds of 12 months or less in duration.
- 4.2 No investments will be made in stocks and shares.
- 4.3 In accordance with Section 15 (1) of the 2003 Act, the Council will have regard to such guidance as the Department for Levelling Up, Housing and Communities may issue on behalf of the Secretary of State.
- 4.4 The Council will carry out an annual cash flow forecast to ascertain expenditure commitments for the coming year.
- 4.5 On the basis of the cash flow forecasts, the Council will invest only in:
 - a. Specified Investments¹.
 - b. Bodies with high credit ratings with recognised credit agencies.
- 4.6 At the end of the financial year the Responsible Financial Officer will prepare a report on investment activity to the Council.

4.7 The Department for Levelling Up, Housing and Communities maintains that the borrowing of monies purely to invest, or lend and make a return, is unlawful and this Council will not engage in such activity.

4.8 The Investment Strategy will be reviewed annually by the Council.

4.9 The Council reserves the right to make variations to the Investment Strategy at any time.

Treasury Policy

5.1 The Council will hold all its funds as cash deposits in bank accounts or bonds or with CCLA Public Sector Deposit Fund.

5.2 A business account will be maintained with sufficient funds for day-to-day transactions and to receive the precept and business income.

5.3 Council approval is required for any financial institution not currently used by the Council or any new account with a financial institution currently used by the Council as detailed in the Financial Regulations.

5.4 Procedure for making deposits:

- a. The RFO will identify an appropriate deposit account or short-term bond with a financial institution that meets the Council's Treasury Policy. Any bonds should be capital sum guaranteed.
- b. Following approval by the Council, the RFO actions the opening of the account and the setting up of the bank mandate for Council Members to sign in accordance with the Financial Regulations.
- c. The RFO actions the deposit/transfer of funds.
- d. The transfer/deposit is reported to the Council.

5.5 Procedure for Bank Transfers

- a. Transfers between banks will follow normal payment procedures as detailed in the Financial Regulations.
- b. Details of all transfers to be provided to the Council with the monthly finance report.

1 SPECIFIED INVESTMENTS These are to be sterling investments of a maturity period of not more than 364 days, or those which could be for a longer period but where the Council has the right to be repaid within 364 days if it wishes. These are low risk assets where the possibility of loss of principal or investment income is negligible. These include investments with: (i) The UK Government (such as the Debt Management Office, UK Treasury Bills or a Gilt with less than one year to maturity). (ii) Supranational bonds of less than one year's duration. (iii) An investment scheme that has been awarded a high credit rating by a credit rating agency. (iv) A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society) For category (iv) this covers a money market fund rated by Standard and Poor's, Moody's or Fitch rating agencies.

Reserves

- 6.1 The Council is required to maintain adequate Financial Reserves to meet the needs of its operations and to ensure financial security. The purpose of this policy is to set out how the Council will determine and review the level of reserves.
- 6.2 The Joint Panel on Accountability and Governance Practitioners Guide (JPAG) advises: *“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/public levies, that such reserves are not excessive. Smaller authorities have no specific right to accumulate funds via the precept. All reserves should be reviewed and justified regularly (i.e. at least annually). It is good practice to transparently publish both the level and rationale of all reserves.”*
- 6.3 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 specific minimum level of reserves which 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.

Types of Reserves

- 7.1 These are categorised as either General or Earmarked.

General Reserves

- 8.1 General Reserves are funds which do not have any restrictions on their use. They cushion the impact of uneven cash flows, offset budget requirements, if necessary, or can be held in case of unexpected events or emergencies.
- 8.2 A review of the General Reserves should be conducted alongside the Annual Budget.
- 8.3 JPAG advises: *“The generally accepted recommendation with regard to the appropriate minimum level of a Smaller Authority’s General Reserve is that this should be maintained at between three (3) and twelve (12) months Net Revenue Expenditure (NRE). The reason for the wide range is to cater for the large variation in activity level between authorities. The smaller the authority, the closer the figure should be to 12 months NRE, the larger the authority the nearer to 3 months. In practice, any authority with an NRE in excess of £200,000 should plan on 3 months equivalent.”*
- 8.4 The primary means of building General Reserves will be through a reallocation of funds (underspend on a completed project) and allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves which have been spent in the previous year. If in extreme circumstances General Reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Council would be able to draw down from its Earmarked Reserves to provide short term resources.
- 8.5 The Council has set a reserve of a minimum of six months’ operational costs, which amounts to £54,183.61 for the 2025/26 Financial Year.

Earmarked Reserves

- 9.1 Earmarked Reserves (EMRs) must only be held for genuine and intended purposes and their level should be subject to annual review and justification. They should be separately identified to prevent query from internal and external auditors. EMRs are held for several reasons and shall only be used for the purpose for which they were created:
 - a. Renewals – to enable the planning and financing of an effective program of equipment replacement and property maintenance/refurbishment. The funds required are built up incrementally over several years when considering asset conditions and asset life. They are a mechanism to smooth expenditure without the need to vary budgets.
 - b. Carry forward of underspend on an uncompleted project – expenditure committed to a project but not spent in the budget year. Reserves can be used as a mechanism to carry forward those resources.
 - c. Developers Contributions – proceeds from developers which can only be used for specified purposes.
 - d. Other Earmarked Reserves – these may be set up from time to time to meet known or predicted liabilities.
- 9.2 Where the purpose of an Earmarked Reserve becomes obsolete, or where there is an over-provision of funds, the excess may, on the approval of the Council, be transferred to other budget headings within the revenue budget, to General Reserves or to one or more other Earmarked Reserves.

- 9.3 EMRs will be established on a “needs” basis in line with anticipated requirements and these are to be reviewed annually when the budget is agreed.
- 9.4 Any decision to set up an EMR must be approved by the Council. If the EMRs are used to meet short term funding gaps, they must be replenished in the following financial year. However, EMRs which have been used to meet a specific liability would not need to be replenished, after having served the purpose for which they were originally set up.

Management and Control of Reserves

- 10.1 Proposed movements in Earmarked Reserves and General Reserves shall be reported as part of the budget monitor documentation. The use of General reserves shall be approved by the Council.
- 10.3 The level of General Reserves shall be reviewed on an annual basis during the annual budget setting and agreed by the Council.
- 10.4 The minimum level of General Reserves shall be recommended to the Council by the RFO.
- 10.5 Earmarked Reserves shall be reviewed on an individual basis; at least annually. Approval for the creation, amendment, cessation or continuation of Earmarked Reserves will be considered by the Council.