

MAWNAN PARISH COUNCIL

Reserves & Investments

Introduction

Mawnan Parish Council is required to maintain adequate financial reserves to meet the needs of the organisation. The purpose of this policy is to set out how the Council will determine and review the level of reserves and how these reserves should best be managed to provide both security and income.

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 specified minimum 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.

It is also recognised that the Parish Council need to make the most use of the public monies that it holds and should be looking at the security and income generating capacity of these funds.

It is recognised that the FSCS (Financial services compensation scheme) sits at a maximum value of £85,000. As such it is the responsibility of the RFO to ensure that reserves held at a single institution are covered within the limits of this.

This document specifically refers to investments of cash not those of land or similar assets held by the Parish Council.

Reserves:

Earmarked Reserves

- Earmarked reserves are usually specific to agreed projects or initiatives, or as a means of ring-fencing for recurrent costs.
- All Earmarked Reserves are recorded on a central schedule held by the Responsible Financial Officer which lists the various Earmarked Reserves and the purpose for which they are held.
- Any decision to set up a reserve must be made by the Council.
- Expenditure from reserves can only be authorised by the Council.
- Reviewing the Council's Financial Risk Assessment is part of the budgeting and year end accounting procedures and identifies planned and unplanned expenditure items and thereby indicates an appropriate level of Reserves.

General Reserves

The level of General Reserves is a matter of judgement and so this policy does not attempt to prescribe a blanket level. The primary means of building general reserves will be through an allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves that have been consumed in the previous year. The Council must build and maintain sufficient working balances to cover the key risks it faces, as expressed in its financial risk assessment.

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.

The RFO will report the level of reserves held by the Parish Council at every Office & Finance meeting and especially when providing information about budget/precept setting. Explanations on the project listed as Earmarked Reserves will be agreed annually.

Investment Strategy

The Investment of surplus funds by local authorities is governed by the Local Government Act 2003, section 15(1)(a) and Guidance issued by the Secretary of State under that Act. The extant guidance was issued by DCLG in 2010.

Investments below £10,000 are not subject to the Guidance but for investments between £10,000 and £500,000 the council is required to make a formal decision on the extent to which it would be reasonable to adopt the Guidance either in part or in full.

The Guidance recommends that a council produces an Annual Investment Strategy which sets out its policy for managing the investments and giving priority to the liquidity and security.

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.

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

The council should keep its strategy simple and maintain prudence at all times.

As such Mawnan Parish Council (the Council) has adopted the following Investment Strategy:

- 1) The Council acknowledges the importance of prudently investing its temporary surplus funds held on behalf of the community.
- 2) The Council's priorities 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.
- 3) Adopt the Secretary of State's Guidance in relation to council investments in full (Department for Communities & Local Government "Guidance on Local Government Investments" 2nd Edition dated 11 March 2010).
- 4) Carry out an annual cash flow forecast to ascertain expenditure commitments for the coming financial year.
- 5) On the basis of that cash flow forecast, to invest only in:
 - i) 'Specified Investments' or in
 - ii) 'Non Specified Investments' including longer term investment i.e. 12 months or more but which still offers the greatest security.
 - iii) Bodies with high credit ratings.
- 6) To review investments at least annually

Final decisions to invest will only be made by Full Council.

Current short term investment strategy and list of Parish Council Investments.

All investments will be made in sterling, using only deposit or bond accounts covered by the Financial Services Compensation Scheme and sums invested will be kept within the sum guaranteed by the FSCS. 2.5. The Department for Council & Local Government maintains that borrowing of monies purely to invest, or to lend and make a return, is unlawful and this Council will not engage in such activity. The Council will refer to CIPFA Prudential Code for Capital Finance in Local Authorities (2009) when considering the investment of monies borrowed in advance of need.

Day to day financial management

It is the responsibility of the RFO to ensure that the current and deposit accounts of the Parish Council are maintained to ensure best use is made of public monies. As such they have been authorised to move money between accounts to gain the best interest possible whilst having sufficient funds to pay all immediate liabilities of the Parish Council. A list of all transfers between accounts should be presented to the O&F committee on an annual basis.

Longer Term Investment

Where the Parish Council has a surplus of funds not immediately required (immediate being defined as likely to be within the current financial year) investment of these to an appropriate fixed rate/ bond account has been agreed. Consideration for ethical or sector specific accounts will be discussed as part of the deliberations of the O&F committee as part of the Annual Investment Strategy review.

It has been agreed that where applicable separate accounts can be set up to manage funds for whole projects (e.g Solar Grant Fund @ Nationwide) and that these must contain the whole of the funds for this project, with all income and expenditure being made from it.

Current specified investment as at 31 March 2021

'Deposits' only in UK financial institutions which offers the full £85,000 UK Financial Services Compensation Scheme.

Parish day to day banking funds (£5000 approx.) held in Lloyds Bank Business Banking Current Account . No interest paid

Investments / Deposits as at 31 March 2021

Parish funds in excess of day to day requirements (£50000+) held in Lloyds Bank – Treasurers Account. Interest paid at .01% pa.

Solar Grant Fund of £45,010 held in Nationwide Business Savings Account, 95 Day Notice. Interest paid at 0.25% p.a.