

CARLTON SCROOP AND NORMANTON PARISH COUNCIL:

RESERVES AND INVESTMENT POLICY

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Chair of the Council: Alan Thomas

Clerk / Responsible Financial Officer: Florence Hill

Reserves and Investment Policy

Document Control

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1. Purpose

This policy sets out the framework for the management of reserves and the investment of surplus funds by Carlton Scroop and Normanton Parish Council (“the Council”).

The objectives of this policy are to:

- Ensure the Council maintains adequate financial reserves.
- Provide clear guidance on the establishment and use of reserves.
- Ensure surplus funds are invested prudently.
- Support long-term financial planning and risk management.

This policy is adopted in accordance with the powers contained within the Local Government Act 2003, which permits local authorities to invest for purposes relevant to their functions and for the prudent management of their financial affairs.

2. Definition of Reserves

Reserves are funds set aside from the Council's income which are not allocated to routine expenditure within the annual budget. They are held to:

- Manage financial risk.
- Provide stability against unexpected expenditure.
- Fund future capital or one-off projects.
- Manage cash flow timing differences.

3. Types of Reserves

The Council maintains the following reserves:

3.1 General Reserve

The General Reserve is a working balance to:

- Meet unforeseen expenditure.
- Smooth variations in income and expenditure.
- Maintain overall financial resilience.

3.2 Earmarked Reserves

Earmarked Reserves are funds set aside for specific purposes formally agreed by resolution of the Council. These may include:

- Asset maintenance or replacement.
- Election costs.
- Capital projects.
- Other identified priorities.

Each Earmarked Reserve shall have a clearly defined purpose.

4. Reserve Levels and Targets

4.1 Overall Reserve Level

At the end of each financial year:

The Council's total reserves should be no less than 25% and no more than 100% of the annual budgeted expenditure for that year.

This ensures reserves remain proportionate to Council activity and risk.

4.2 Working Balance Requirement

The Council shall maintain:

A minimum of six months' budgeted expenditure as a working balance within its Business Account.

This ensures sufficient liquidity to meet operational commitments.

4.3 Earmarked Reserves

Earmarked Reserves shall:

- Be reviewed annually.
- Only be retained where a clear purpose exists.
- Be adjusted where necessary through resolution of the Council.

5. Use of Reserves

Reserves may be used for:

- Unforeseen or emergency expenditure.
- Capital or one-off expenditure.
- Major asset repair or replacement.
- Strategic priorities agreed by the Council.
- Managing temporary budget shortfalls.

The use of reserves must not undermine the long-term financial stability of the Council.

6. Approval Process for Use of Reserves

The use of reserves requires approval by resolution of Full Council.

6.1 General Reserve

- Use must be clearly justified.
- The remaining balance must remain within policy limits unless exceptional circumstances apply.

6.2 Earmarked Reserves

- Funds must only be used for their agreed purpose.
- Reallocation requires Full Council approval.

All decisions shall be clearly recorded in the minutes.

7. Annual Review of Reserves

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

- Current reserve balances.
- Compliance with the 25%–100% policy range.
- Adequacy of the six-month working balance.
- Future financial commitments.
- Risk exposure.
- The continuing relevance of Earmarked Reserves.

8. Reporting and Transparency

The Council shall ensure transparency by:

- Including reserve balances within the annual budget papers.
- Identifying the purpose and balance of each Earmarked Reserve.
- Reporting movements in reserves through quarterly financial reports.
- Providing clear financial information in the Annual Governance and Accountability Return (AGAR).

9. Investment of Surplus Funds

9.1 Investment Objectives

The Council's investment priorities are:

1. Security
2. Liquidity
3. Yield (return)

The Council will seek the optimum return consistent with appropriate security and liquidity.

9.2 Specified Investments

The Council will invest only in Specified Investments, defined as:

- High security.
- High liquidity.
- Denominated in sterling.
- Repayable within 12 months.

Permitted institutions include:

- UK banks and building societies.
- Local authorities.
- Public authorities.
- Government-backed institutions.

9.3 Investment Approach

- A minimum of six months' budgeted expenditure shall remain in the Business Account.
- Surplus funds above this level may be placed in an interest-bearing account.
- Investment decisions shall be managed by the Clerk/RFO.
- Significant transfers shall be reported to Full Council.
- All investment activity shall be included in financial reports to Council.

10. Risk Management

The Council recognises that adequate reserves are essential to effective financial risk management and continuity of service delivery.

This policy ensures reserves are:

- Maintained at prudent levels.
- Used responsibly.
- Reviewed regularly.
- Managed transparently.

11. Policy Review and Amendments

This policy shall be:

- Reviewed annually.
- Reviewed sooner if legislation or financial circumstances change.

- Amended only by resolution of Full Council.