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## TOWN COUNCIL

**Reserves and Investment Policy 2025**

**Version 1.0**

**Date approved: 16<sup>th</sup> January 2025**

**Date to be reviewed 16<sup>th</sup> January 2026**

<b>POLICY CONTROL SHEET</b>	
<b>POLICY AUTHOR</b>	Alex Spencer – Town Clerk
<b>POLICY STATUS</b>	Approved
<b>POLICY APPROVAL DATE</b>	16 <sup>th</sup> January 2025
<b>APPROVING COMMITTEE</b>	Finance, Policy & Human Resources Committee
<b>DATE OF POLICY REVIEW</b>	16 <sup>th</sup> January 2026

<b>POLICY VERSION CONTROL SHEET</b>	
<b>PREVIOUS VERSION OF POLICY</b>	N/A
<b>POLICY STATUS</b>	Approved
<b>AMENDMENT(s) TO POLICY</b>	
<b>AMENDED POLICY APPROVAL</b>	
<b>APPROVING COMMITTEE</b>	Finance, Policy & Human Resources Committee Full Council
<b>DATE OF POLICY REVIEW</b>	

## **1.0 Preamble**

- 1.1 Council is legally required to make adequate arrangements for the management of council finances.
- 1.2 These arrangements are numerous – whether it be the appointment of a Responsible Finance Officer to manage the financial affairs of council, the implementation of Financial Regulations to codify financial processes or the appointment of an internal auditor to ensure processes are being followed/provide recommendations for improvements – council must make adequate arrangements to safeguard public money.
- 1.2 This policy focuses on three specific areas relating to council finances –
  - a. Budget setting
  - b. Council Reserves (General and Earmarked) and
  - c. Council Investments
- 1.3 In 2023/24, council's internal auditor recommended implementation of an Investment Strategy; which this policy gives effect to.
- 1.4 Whilst the internal auditor recognised that Council invested council funds, there was no formalised strategy as to where those funds should be invested, what the level of investment should be, and the potential impact on council operations (including general reserve and earmarked reserves) once the investment was made.
- 1.5 This policy therefore seeks to provide clarification on the above whilst implementing the internal audit recommendations of 2023/24.

This is achieved by:-

- a. Recognising the inextricable links between budget setting, general and earmarked reserves and what funds can be realistically invested.
- b. Recognising that funds should be invested and should mature within each financial year so as to tie in with council accounts – particularly accounts closedown. (April to March each year)
- c. Recognising the need to hold budget workshop meetings each year in January/February to develop a budget including income, expenditure, general & earmarked reserves and investment options.
- d. Resolving to an acceptable General Reserve level each year.

## **2.0 Council Reserves**

- 2.1 The Town Council is required to maintain financial reserves sufficient to meet the needs of the organisation.

- 2.2 Whilst there is no statute which prescribes the minimum (or maximum) level of reserves, the council has no power to hold revenue reserves other than for reasonable working capital needs, for the purposes of financial investment or for earmarked purposes.
- 2.3 The Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide, which sets out the 'proper practices' for how the council must maintain its accounts, recommends that the minimum level of general reserves should be between three and twelve months of net revenue expenditure.
- 2.4 For an authority of the Council's size, it states that the lower end (three months or approximately 25% of its revenue expenditure) is appropriate.

### **3.0 General Reserves**

- 3.1 The general reserve is not ringfenced (or earmarked) for any specific expenditure. Its purpose is to smoothen the impact of uneven cashflow or cover unexpected/emergency expenditure. It is not intended as a means of on-going expenditure.
- 3.2 The general reserve is typically established through underspends against budgeted expenditure at the end of the financial year.

In such circumstances, unless council assigns these underspends to the Earmarked Reserve (explained at 4.0 below), underspends will simply further supplement council's General Reserve.

- 3.3 As per JPAG guidance, council should hold a general reserve of at least 25% of its net revenue expenditure for that financial year.
- 3.4 Where council utilises general reserve funds during the course of the year e.g. as a result of unforeseen or emergency expenditure, the general reserve will be replenished as part of the budget setting process for the following year; and will be replenished at 25% of its net revenue expenditure for that financial year.

### **4.0 Earmarked Reserves**

- 4.1 Council may establish ringfenced (earmarked) reserves for any reason where it reasonably believes it may incur expenditure in the future.
- 4.2 Earmarked works and any funds attached thereto, may or may not have a completion date. This provides Council with flexibility to accrue funds over time where funds cannot be accessed immediately, and a funding pot may need to be built up.

4.3 At the time of writing, council's earmarked reserves are:-

General Parks Capital Maintenance	£44,000.00
Eaton Street Park Footpath	£19,700.00
Brown's Field Development	£15,000.00
Mayoral Contribution to Roundabout at Eaton Street Park	£8,336.00
<b>TOTAL</b>	<b>£87,036.00</b>

4.4 Although Council has resolved that these works and sums thereto are "earmarked", Members may resolve that they cease to be earmarked (perhaps because there has been a change in circumstances or works are not necessary).

4.5 This cessation will typically follow a review of "earmarked" works and their sums in January/February during the budget setting process for the following year.

Where earmarked works cease, funding attached to those works will revert back to council's general reserve.

4.6 In addition, as part of council's budget setting process, the Responsible Finance Officer will provide Members with an estimate of underspend / overspend to year end.

4.7 As part of this estimate, the Responsible Finance Officer *may* outline capital works requiring completion in the following year which, if resolved by Council, could be funded through underspends from the current year.

4.8 Should Members resolve to these works and sums thereto, these works will become earmarked; with progress being reported to Finance, Policy and Human Resources Committee via the budget monitoring update.

4.9 Each year, as part of its Annual Governance and Accountability Return (AGAR), Council is required to state its level of earmarked reserve to the external auditor.

## **5.0 Investments**

5.1 Council acknowledges its responsibility to and importance of prudently investing any reserves held by the council.

5.2 The objective of the Council is prudent investment of its balances, with the priorities of:-

1. Security of sufficient reserves levels (whether general or earmarked) to deliver council operations **and then**
2. Investment of council funds (at an acceptable level) to generate an income.

- 5.3 The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.
- 5.4 Having due regard to the agreed levels of both general and earmarked reserves for the financial year; a significant percentage of the Council's remaining funds shall be deposited within high interest bank, building society or bond accounts, for a period not exceeding 12 months **and for maturity earlier than 31<sup>st</sup> March of each year** – thereby supporting the annual closure of accounts.
- 5.5 In determining investment options for the following year, each January/February, whilst working with Members to set the forthcoming budget; the Responsible Finance Officer shall present investment options in consideration of:-
- Council's income/expenditure position in the current financial year.
  - Council's estimated underspend to year end of current financial year
  - General reserve level
  - Current and potentially new earmarked works and sums
  - Income (including precept demand) for forthcoming financial year.
- 5.6 In consideration of 5.5 above, the following timescales will apply:

January/February	Budget workshop to establish budget for forthcoming year including: a. Income (including investments) b. Expenditure c. Precept Demand d. General reserve level e. Earmarked reserve works and sums
January/February	Budget Council (including resolution to invest)
March	Maturity of funds previously invested to coincide with closedown of council accounts
April	Investment of funds in new financial year.
January/February	As above
March	As above
April	As above

## **6.0 Determining Budget, General Reserve, Earmarked Reserve and Potential Investments**

- 6.1 As stated above, this policy recognises the inextricable links between budget setting, establishing general and earmarked reserves and investing.
- 6.2 Council does not have limitless funds and can only assign respective reserves/investments based on available funds.
- 6.3 For this reason, all assignments should be made during the budget setting workshop in January/February before formal resolution by Council each February – that way there is clarity of what funds Council for the remainder of the current financial year; **and** will have in the new financial year.

