

# UP HATHERLEY PARISH COUNCIL

Cheltenham, Gloucestershire



## Investment and Reserves Policy

**Adopted:** 03/03/2026

**Reviewed:** 06/01/2026

**Next Review Due:** 05/01/2027

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### 1. Purpose

This policy sets out how Up Hatherley Parish Council (the Council) manages its **reserves** and **investments** to ensure:

- Adequate financial resilience and flexibility;
  - Compliance with legislation and statutory guidance;
  - Transparency and accountability in financial management;
  - Security of public money entrusted to the Council.
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### 2. Legal and Regulatory Framework

This policy is based on:

- The Local Government Finance Act 1992 (duty to set a balanced budget);
  - The Local Government Act 2003, Section 15(1)(a) (duty to have regard to Investment Guidance);
  - Statutory Guidance on Local Government Investments (DLUHC, 2018 as updated);
  - The Practitioners' Guide 2025 (proper practices for reserves and investments);
  - NALC Model Financial Regulations 2025.
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### 3. Types of Reserves

The Council maintains three categories of reserves:

#### a) General Reserve

- A working balance to cushion the impact of uneven cashflows or unexpected events.
- Benchmark level: normally between 3 and 12 months of net revenue expenditure, proportionate to the size and risk profile of the Council.

#### b) Earmarked Reserves (EMRs)

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- Funds set aside for specific purposes (e.g. elections, asset replacement, projects, staff training, legal costs).
- Created and spent by Council resolution.
- Reviewed at least annually as part of the budget process.

## c) Restricted Reserves

- Funds that must be spent only on specified purposes by law or regulation (e.g. Community Infrastructure Levy, Section 106 funds, grants received for a particular project).
- These cannot be transferred or used for other purposes.

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## 4. Principles of Reserve Management

- The Responsible Financial Officer (RFO) will advise annually on the appropriate level of reserves, considering risks and medium-term financial planning.
- Reserves may only be used with the formal approval of full Council.
- If reserves fall below the agreed benchmark, the Council will plan to rebuild them within a reasonable timeframe.
- All reserve movements (creation, use, transfers) will be reported in the Council's budget monitoring and year-end accounts.

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## 5. Investment Objectives

When the Council has funds beyond immediate operational needs and agreed reserves, it will invest in accordance with three priorities, in order:

1. **Security** – protecting the capital sum.
2. **Liquidity** – ensuring funds are accessible when needed.
3. **Yield** – obtaining the best rate of return consistent with the above.

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## 6. Approved Investment Instruments

- **Specified Investments:** Sterling deposits with UK banks, building societies, or the Debt Management Office, repayable within 12 months. Generally the Council will only make use of a high interest account with its current bank provider.

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- **Non-Specified Investments:** Longer-term deposits or other instruments may be considered only where the Council has formally approved the associated risks and taken appropriate advice. The Council will not hold non-specified investments.
  - **No high-risk or speculative investments** (e.g. shares, derivatives, cryptoassets) will be permitted.
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## 7. Diversification and Risk Management

- Total exposure to any one institution (other than the Government) will not normally exceed the Financial Services Compensation Scheme (FSCS) limit.
  - Where practical, funds will be spread across more than one counterparty to reduce risk.
  - Credit ratings and counterparties will be reviewed annually by the RFO.
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## 8. Governance and Delegation

- The RFO will manage day-to-day transactions within the framework of this policy.
  - All investment decisions, creation of new reserves, or use of reserves require approval by full Council.
  - The Council will record such decisions in minutes and publish them where required by transparency rules.
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## 9. Monitoring and Reporting

- Reserve balances and movements will be reported at least quarterly to Council.
  - Investment performance and counterparties will be reviewed annually by the RFO and reported to Council.
  - The Council will publish details of its reserves and investments in the annual accounts and AGAR.
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## 10. Review of Policy

This policy will be reviewed annually as part of the budget process and updated where necessary in line with legislation, guidance, and the Council's financial circumstances.