



Reserves and Investment Policy

This document sets out the Council's policies on how its reserves and investments are managed.

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Town Clerk

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Reserves Policy

Introduction

Keswick Town 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 levels of reserves.

The Joint Panel on Accountability and Governance Practitioners Guide (JPAG) (March 2024 edition) advises:

“As with any financial entity, it is essential that authorities have sufficient reserves (general and earmarked) to finance both their day to day operations and future plans. 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.”

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 to advise the Town Council about the level of reserves and to ensure that there are procedures for their establishment and use.

Types of Reserves

These can be categorised as either General or Earmarked.

General Reserves

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. Setting the level of General Reserves should be agreed alongside the Annual Budget.

JPAG (March 2024) edition 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 and twelve months of net revenue expenditure.”

The smaller the authority, the closer the figure may be to 12 months expenditure, the larger the authority, the nearer to 3 months. In practice, any authority with income and expenditure in excess of £200,000 should plan towards 3 months equivalent general reserves.

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 Town Council would be able to draw down from its earmarked reserves to provide short term resources. Keswick Town Council has set a general reserve level of a minimum of six month’s operational costs.

Earmarked Reserves

Earmarked Reserves must 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.

Earmarked reserves are held for several reasons and shall only be used for the purpose for which they were created.

- 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. Keswick Town Council has earmarked reserves set aside for Elections (co-option and by-elections); Office and Chamber requirements; Professional Advice; Equipment (IT and furniture); CCTV (for future upgrades to the PCC CCTV); and War Memorial.
- 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 reserves.
- Developers contributions – proceeds from developers which can only be used for specified purposes. At the time of writing this policy, Keswick Town Council does not have any developers funds available.
- Funds – there are two funds set aside which meet known or predicted liabilities. This is the Christmas Lights fund, and the Events fund.

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 Town Council, be transferred to other budget headings within the revenue budget, or to General Reserves or to one or more other Earmarked Reserves.

Earmarked Reserves will be established on a ‘needs’ basis in line with anticipated requirements and these are to be reviewed annually when the budget is agreed.

Any decision to set up an Earmarked Reserve must be approved by Town Council. If the Earmarked Reserves are used to meet short term funding gaps, they must be replenished in the following financial year. However, Earmarked Reserves 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

Movements in Earmarked Reserves and General Reserves shall be reported to full Council as part of the budget monitoring documentation. The use of Reserves shall be approved by full Council.

The level of General Reserves shall be reviewed on an annual basis during the budget setting process, and agreed by the Town Council. The minimum level of General Reserves shall be recommended to the Council by the Responsible Financial Officer. This will form part of the recommendations for the Annual Budget and Precept request by the Town Council and is currently set at six month’s operational costs.

Earmarked Reserves shall be reviewed on an individual basis. Approval for the creation, amendment, cessation or continuation of Earmarked Reserves will be agreed by Town Council.

Keswick Parks Charitable Trusts – specific Reserves

Funds related to Keswick Parks Charitable Trusts will follow the principles of Keswick Town Council's Reserves Policy, but there will be specifics relating to each park that may affect levels of reserves.

Hope Park Trust

General Reserves

The Trust aims to hold three to six months operating costs in general reserves. The Trust has agreed to hold six months operating costs in reserve.

Any excess in Hope Park's budget at the end of the year will be put into the general reserves.

Earmarked Reserves

- Max the Miracle Dog funds (restricted funds) – any funds raised in regard to Max the Miracle Dog and the donation point can only be spent within Hope Park. This is the wish of Kerry Irving when the statue and donation point was introduced.
- Building Fund – this fund is solely for Hope Park, and is to be used to provide funds for any necessary building work such as to the Greenhouse or the old store buildings.
- Memorial Benches and trees – this earmarked reserve is for work following the sale of memorial benches or trees. Any excess will be moved to another fund as required.
- Woodland Walk grant – this is remaining monies from a grant from Cumbria County Council, and is held to continue maintenance on the Woodland Walk in Hope Park.
- Development and Equipment Fund – this is a fund held in Hope Park, but can be used by either park, to be used as equipment needs to be replaced or improved. This can be topped up from either the Memorial Benches funds or from free reserves from either park, or else will have income allowed each financial year.

If necessary, general funds can be transferred between Hope Park and Fitz Park, as the objectives are the same for both parks.

Fitz Park Trust

Fitz Park Trust runs at a deficit each year, so currently only holds a small amount in unrestricted funds, under three months operating costs. In an ideal world it would have six months running costs in general reserves, as Hope Park does (approximately £75,000). However, as the Town Council gives a grant to Fitz Park annually to cover the deficit, this is considered an acceptable level by the Trust's Accountant.

Fitz Park does have a number of Earmarked Reserves, which have specific purposes.

Earmarked Reserves

- Memorial Benches and trees – this earmarked reserve is for work following the sale of memorial benches or trees. Any excess will be moved to another fund as required.
- Sinking Fund – this is the fund which has been created for the purpose of aiding in repairing Fitz Park in the event of a major flooding event. A large amount of the

structures are insured, however this fund will be used to cover uninsurable losses. Trustees decided to cap this fund at £100,000 in November 2023.

- Future Developments Fund – this fund was set up in November 2023 to be used for projects in Fitz Park, for instance the new staff storage unit.
- BMX Track – for ongoing maintenance to the BMX track
- Sensory Garden – originally this was a grant given to develop the Sensory Garden in Wivell Triangle, and this fund is used to replace any plants or to cover any work needed for the garden.
- Outdoor Gym – this fund is to repair any of the Outdoor Gym equipment.

Keswick Town Council Investment Policy and Strategy

Introduction

This Investment Policy and Strategy has been devised in line with the Statutory Guidance on Local Government Investments (3rd Edition) issued under section 15(1)(a) of the Local Government Act 2003. An investment strategy is required for all investments expected to exceed £100,000 at any time during the financial year.

This Investment Policy and Strategy applies to all investment activities undertaken by the Town Council, including those of Hope Park Trust and Fitz Park Trust.

Keswick Town Council acknowledges its duty to act prudently when investing all funds held on behalf of the community by the Town Council.

Investment Objectives and Principles

The general policy objective of the Council is prudent investment of its balances. The Council's investment priorities are:

- Security of reserves;
- Liquidity of reserves;
- Ethical considerations of reserves.

The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity, but in balancing risk against return, the Council prioritises minimising risk over maximising return.

Investment Policy

The Town Council shall only use specified investments as defined by MHCLG guidance.

A significant percentage of the Council's bulked reserves shall be placed on interest bearing term/notice deposits.

No investment shall be held with the Council's current bankers.

All investments shall be made in the name of the Council, and be deposited in sterling.

Investments shall be reviewed every 12 months.

The Town Council shall only invest with banks/building societies which it defines as "High Credit Quality". This being those with a credit rating of A with Moody's Investors Service or BBB with Standard and Poor's or Fitch Ratings Ltd.

The Town Council may also invest in the CCLA Public Sector Deposit fund subject to it maintaining a credit rating as required above.

Investments shall be decided and placed by the Responsible Financial Officer having used due diligence including as a minimum finance search engines and rating agencies.

This shall be under the oversight of full Council, and the actual movement of money will be by the usual authorised signatories.

The Council will invest ethically. It will adhere to high environmental, social and governance (ESG) standards) across all its investments.

The procedure for undertaking investments, considering the need for timely and speeding placing of deals shall be documented by the Responsible Financial Officer.

The Responsible Financial Officer shall review credit ratings of organisations in which the Council holds investments on a quarterly basis. Should the credit rating fall below that specified above, the Responsible Financial Officer shall draw up a report for Council and take the appropriate action.

The Council will never borrow money in order to invest in financial markets, equities, commodities, cryptocurrencies or other risk-bearing financial instruments, nor will it invest in land or property outside of the parish.

Revision

Any revisions to this policy shall be approved by Full Council.

The Responsible Financial Officer and Clerk shall review this policy annually and recommend any proposed changes to Full Council prior to the commencement of the new financial year. Where no changes are proposed, Full Council shall note the policy.

This policy shall be reviewed in the event that the Bank of England increases its base rate above 5% or the Financial Services Compensation Scheme is extended to cover the Town Council.

Keswick Parks

Keswick Parks will follow the Town Council's Investment Policy, with the addition of the fact it may invest in the CCLA Charities Deposit Fund subject to it maintaining a credit rating as required in the main document.