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RESERVES and INVESTMENT STRATEGY

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First Adopted	27/10/2021
Reviewed	28/09/2022
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1. Strategy Aims

Castle Bromwich Parish Council parish council has a population of roughly 12,000 residents and an annual precept in 2026-27 of £423 868, supported by income raised from hires of Arden Hall, Pavilion and playing fields. The average Band D contribution to the precept is £107.96.

It is the aim of the Parish Council to maintain an appropriate range of reserves, balances and investments through Treasury Management principles and in accordance with proper practice, to ensure residents receive value for money.

'Treasury management' is defined as the management of the Council's investments, cash flows, its banking and money market transactions, the effective control of the risks associated with those activities, and the pursuit of best value performance consistent with those risks.

2. Council Reserves

The Council has two types of reserve:

2.1 Earmarked Reserves – these represent amounts that are generally built up over a period of time and are earmarked for specific items of expenditure to meet known or predicted liabilities or projects. Earmarked Reserves may be used to smooth the effects of certain expenditure commitments over a period of time thereby reducing the impact of significant expenditure in any one year and may be used in tandem with a loan obtained for the same expenditure commitment.

2.2 General Reserves – these represent amounts that have been set aside to meet the costs of exceptional expenditure that will enable the Parish Council to meet its legal, statutory and proper duties or responsibilities. The SAPPP Practitioners' Guide 2026/27 recommends that any authority with income and expenditure in excess of £200 000 should plan on 3 months equivalent General Reserve, though consideration should be given to the risks to self-generated income. Castle Bromwich Parish Council will aim to retain 25% of precept level in General Reserves to cover, for example:

a) the undertaking of essential repairs or maintenance work;
b) undertaking unexpected administrative duties;
c) challenging or deflecting threats to the parish, its people and its environment;
d) making provision for redundancy obligations;
e) investigations and disciplinary hearings;
f) covering for short-term cash flow needs.

3. Annual Review

This strategy shall be reviewed annually by the Finance and General Purposes Committee and reported to the Parish Council as part of the budget setting process.

The review will include a statement from the RFO on the adequacy of the reserves in respect of the forthcoming financial year and the Council's medium-term financial plan.

The treatment of surplus funds created as a result of activities being postponed or cancelled, as identified by the RFO, may be spent or earmarked by agreement of the Council following recommendations by the Finance and General Purposes Committee.

4. Committee Review

Each Parish Council committee will have the opportunity to review the levels of Earmarked Reserve held in their name (if any) and will make recommendations for the creation of additional specific reserves to the Finance and General Purposes Committee in October of each year as part of the annual budgeting process. Each committee will be required to identify the following when making their recommendations:

3.1 The reason for the reserve
3.2 How and when the reserve can be used
3.3 Procedures for the reserve's management and control
3.4 A process and timescale for review of the reserve to ensure continuing relevance and adequacy

5. Levels of Reserves

Decisions on the levels of Earmarked Reserves to be held will be made by the Parish Council following recommendations from the Finance and General Purposes Committee.

The desired level of reserves will be taken into consideration when budgeting for transfers to or from reserves and setting the annual precept.

Following approved use of funds from the General Reserve, the Finance and General Purposes Committee will recommend the transfer of un-used reserves or any other procedure to restore the level to 25% of precept.

The Parish Council is aware the borrowing of money purely to invest or to lend and make a return is unlawful and the Council will not engage in such activity.

6. Banking and Investment

In accordance with best practice, funds are invested mainly in short-term investments which display the following characteristics:

- Are denominated in pounds Sterling;
- Have maturity of 12 months or less;

- The whole of the original sum invested can, from the time that the investment is made, be accessed for use by the parish council without any reduction;
- The authority has assessed the counterparty and is satisfied that the original sum invested is not subject to unreasonable risk.

The Parish Council banks with:
- Unity Trust Bank
- Lloyds Bank

where the investments are not covered by the Financial Services Compensation Scheme due to turnover. To spread the risk across other institutions, the parish council invests funds in the CCLA Public Sector Deposit Fund.

The Parish Council confirms the contribution these investments make support effective treasury management activities.
All investments will be subject to checks on:
- Security – protecting the capital sum invested from loss; and
- Liquidity – ensuring the funds invested are available for expenditure when needed.

Yield is also an important consideration, but only after security and liquidity.

7. Non-financial Investments

The Parish Council owns and manages facilities including Arden Hall, Windsor Bar, Spencer Bar, The Pavilion, The Theatre Workshop, Tennis Courts and Arden Hall Playing Fields (including cricket and football pitches) from which it expects to raise an annual income that contributes to the annual budget.
The Finance and General Purposes Committee will review actual income against expected income at least every quarter.

8. Risk Assessment

With all treatments regarding its finances and especially investments, the Parish Council will have regard to the following:

- How it has assessed the market that it is/will be competing in, the nature and level of competition, how it thinks that the market/customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements.
- Whether and, if so how, it uses external advisors be they treasury management advisors, property investment advisors or any other relevant persons.
- How it monitors and maintains the quality of advice provided by external advisors.
- To what extent, if at all, any risk assessment is based on credit ratings issued by credit ratings agencies.
- Where credit ratings are used, how frequently they are monitored and the procedures for taking action if credit ratings change.
- The other sources of information used to assess and monitor risk, including its own Risk Management Policy.