Langton Matravers Parish Council
Investment & Reserves Strategy

1. Introduction
Langton Matravers Parish Council acknowledges the requirements of sections 32 and 43 of the Local Government Finance Act 1992 to have regard for the level of reserves needed to meet estimated future expenditure. It also acknowledges, in accordance with the guidance issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003, the importance of prudently investing the surplus funds held on behalf of the community.

2. General Reserves
General reserves are funds which do not have any restrictions as to their use. These funds can be used to smooth the impact of uneven cash flows, offset the budget requirement if necessary or can be held in case of unexpected events or emergencies.

The Council seeks to maintain its general reserve at between 70 and 80% of budgeted expenditure.

In the event of extreme circumstances when general reserves would otherwise be exhausted, the Council may draw down from earmarked reserves to provide short term resources.

3. Earmarked Reserves
Earmarked reserves can be held for several reasons

- Renewals – to plan and finance
    - particular projects
    - effective programmes of capital equipment replacement
    - planned property maintenance
- Carrying forward committed projects expenditure as yet not spent
- Insurance reserves (e.g. Staff Cover Fund)

- Funds given for explicit purposes (e.g. “Community Infrastructure Levy”)
- Other reserves as may be required from time to time to meet known or predicted liabilities

Ear marked reserves should not held to fund ongoing general expenditure. Allocation of funds to an earmarked reserve and reallocation of unused funds must be approved by the Council.

4. Investment Objectives

The general objective for the Council is the prudent investment of its Funds. The Council’s investment priorities are:

a) The security of its reserves
b) The liquidity of its investments
c) The yield obtained from any investment

The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. All investments will be made in sterling.

6. Specified Investments

Specified investments are those offering high security and high liquidity, made in sterling and with maturity of no more than a year. Such short term investments made with the UK Government or a Local Authority (as defined) or a Town/Parish Council will automatically be specified investments.

For the prudent management of its treasury balances, the Council may use:

- Deposits with banks, building societies, local authorities or public authorities
- Treasury deposits with UK clearing banks
- Money market funds
- UK Government issued gilts
- Other approved public sector investment funds

The choice of institution and length of deposit will be at the approval Full Council. Such institutions shall be approved annually at the Parish Council Annual Meeting and shall be recorded in the Council’s minutes and its Financial Regulations.

7. Non Specified Investments

These investments have greater potential risk and are usually for longer periods and with bodies that are not as highly credit rated. Examples include investment in money markets, stocks and shares. Given the unpredictability and uncertainty surrounding such investments the Council does not currently use this type of investment.

8. Liquidity of Investments
Full Council will determine the maximum periods for which funds may be prudently committed so as not to compromise liquidity.

9. Long Term Investments
Long term investments shall be defined as greater than one year. The Council does not currently hold any long term investments.

10. Risk Assessment
The Council's funds are covered by the Financial Services Compensation Scheme as its turnover is less than 500,000 euros. To reduce risks, a maximum of £120,000 will be held in any one organisation/fund. The Council will only invest in institutions of high credit quality. The Council does not employ, in-house or externally, any financial advisors but will rely on information which is publicly available.

11. Investment Strategy
The Council will I seek to maintain its current account deposit at between 10 and 20% of its annual expenditure (I.e. roughly between one and two and a half months expenditure). Remaining funds will be kept in instant access and notice savings account accounts.

The Council will normally seek to maintain a minimum current and savings account balance 40% of annual expenditure.

Funds in excess of the above amounts may be deposited in accounts with notice of 35 days (or less) unless that is the sum of the current, instant access and 35 day (or less) notice accounts would be greater than 80% of annual expenditure, in which case the excess funds may be deposited in accounts with notice of up to one year.

Adopted by Resolution of the Council 14th May 2026