



Section A - Policy on Financial RESERVES

1 Introduction

The following quote from the Senior Manager of the Council's original external (Government-appointed) auditors is helpful in setting the context for this policy:

"Obviously, in carrying out our audits we review each council individually, but if reserves are either below 25% or higher than 100% of annual expenditure then we would expect an explanation from the council.

From the Practitioners Guide:

- *As councils have no legal powers to hold revenue reserves other than those for reasonable working capital needs or for specifically earmarked purposes, whenever a council's year-end general reserve is significantly higher than the annual precept, an explanation should be provided to the auditor.*
- *Earmarked reserves, which are set aside for specific purposes and for savings for future projects, should be realistic and approved by the council. It is generally accepted that general (i.e. un-earmarked) revenue reserves usually lie within the range of three to twelve months of gross expenditure. However, the amount of general reserve should be risk assessed and approved by the Council.*

The reserves for Lewes Town Council are at an appropriate level for the size of your council and as such we have not requested further details from you in relation to them."

2 Policies

When considering financial plans and preparing the annual budget, the Council will aim to:

- 2.1 Maintain a working bank account balance to help cushion the impact of uneven cash flows e.g. prior to receipt of half-yearly precept payments from the collection authority; referred to as the Current Account and maintained at roughly two months' gross anticipated expenditure.
- 2.2 Maintain a contingency reserve, not earmarked for specific purposes, to cushion the impact of unexpected events or emergencies; referred to as the General Fund, and maintained at roughly four months' gross anticipated expenditure.
- 2.3 Maintain earmarked reserves, to meet known or predicted liabilities, identified individually in the Councils budgets and annual accounts. Allocations for repairs and renewals will be included in annual estimates of income and expenditure and therefore funded by the Council's precept, in order to maintain earmarked reserves; to augment or reduce them, or to establish new reserves according to Council decisions from time to time.

Section B - Policy on Financial INVESTMENTS

3 Introduction

- 3.1 This policy has been produced and complies with the guidance issued by the Secretary of State under Section 15(1) (a) of the Local Government Act 2003.
- 3.2 Lewes Town Council acknowledges its responsibility to the community and the importance of prudently investing the temporary surplus funds held on behalf of the community.

4 Objectives

- 4.1 The general policy objective for this Council is prudent investment of its balances. The Council's investment priorities are:-
 - (i) the security of its reserves, and
 - (ii) the liquidity of its investments.
- 4.2 The Council will aim to achieve a reasonable return on its investments commensurate with proper levels of security and liquidity; wherever possible reviewing ethical considerations underlying proposed investment vehicles.



5 Policies

- 5.1 All Lewes Town Council's investments will be those offering high security and high liquidity. This means that:-
- (i) All investments will be made in sterling and any payments or repayments will also be made in sterling.
 - (ii) All investments will be short term investments which will not exceed a maximum of twelve months, or which the Council may require to be repaid within twelve months.
 - (iii) All investments will be made with a body or investment scheme which has been awarded a high credit rating by a credit rating agency*. (A high credit rating will be defined as 'A' 'High Credit Quality'.)

*A credit rating agency is defined in the guidance as one of the following three companies: Standard and Poor's; Moody's Investors Service Ltd; Fitch Ratings Ltd.
 - (iv) All investments will be made in UK banks and building societies, or other UK-domiciled and regulated institutions or funds.
- 5.2 Credit Ratings will be monitored. If the credit rating falls, the Responsible Financial Officer, in consultation with the Mayor and the Chairman of the Audit Panel, will decide on the appropriate action. Credit ratings will be reported to Council.
- 5.3 For prudent management of its balances Lewes Town Council, maintaining sufficient levels of security and liquidity, will adopt a policy whereby funds which are likely to be surplus for more than three months can be invested in short term deposits.
- 5.4 The Government's Department of Communities and Local Government maintain that borrowing of monies purely to invest, or to lend and make a return is unlawful and Lewes Town Council will not engage in such activity.

6 Review and Amendment of the policy

- 6.1 The Responsible Financial Officer will review this policy regularly for approval by the Council and whenever annual estimates are being considered.
- 6.2 At the end of the financial year during the preparation of accounts the Responsible Financial Officer will also report on investment activity.
- 6.3 The Responsible Finance Officer may recommend variations of the policy for approval by the Council in accordance with guidance from the Secretary of State.
- 6.4 The Council will consider recommendations for the placement of its deposits at least one month before any instrument matures.