



INVESTMENT AND BANKING POLICY

INVESTMENT AND BANKING POLICY

1. INTRODUCTION

- 1.1 The Local Government Act 2003 Section 12 provides a local authority with the power to invest:
 - (a) For any purpose relevant to its functions under any enactment; or
 - (b) For the purpose of the prudent management of its financial affairs
- 1.2 Section 15(1) of the Act requires a local authority to have regard to guidance issued by the Secretary of State.

2. OBJECTIVES

- 2.1 The council's priorities are, in the following ranking order:
 - (a) The security of capital to minimise the risk of losses
 - (b) The liquidity of investments to meet the cash flow needs of the council
 - (c) Maximising income within the framework of the national economic situation
- 2.2 The council will aim to achieve a high rate of return on investments commensurate with adequate safeguards of security and liquidity.

3. INVESTMENTS (GENERAL)

- 3.1 All investments and deposits will be placed with UK registered financial institutions and be held in £ sterling.
- 3.2 Where appropriate to do so, and to benefit from a higher rate of interest, an instant access deposit account may be used for any surplus funds needed for current expenditure. A daily 'feed' or 'sweep' facility may be set up between the instant access account and the council's primary current account.
- 3.3 Funds not needed for current expenditure (i.e., general or earmarked reserves) may be placed on longer term investments, taking into account the cash flow requirements of the council and the financial projections of the council's business plan.
- 3.4 The council will keep under review its position in relation to whether it qualifies for protection under the Financial Services Compensation Scheme (FSCS) and consider spreading the financial risk by placing investments with different financial institutions to remain below the relevant qualifying FSCS threshold at the time.
- 3.5 Where the protection of the FSCS is not available, credit ratings of the financial institutions used will be a minimum of 'A' and these will be monitored regularly.

4. INVESTMENTS (SPECIFIED)

- 4.1 Specified Investments are those offering high security and high liquidity, made in sterling and maturing within a year.

- 4.2 Such short-term investments made with the UK Government, or a local authority or town parish council will automatically be Specified Investments.
- 4.3 For the prudent management of its treasury balances, maintaining sufficient levels of security and liquidity, the Council will use: Deposits with banks, building societies, local authorities, other public authorities and the Church Charities and Local Authorities (CCLA) Public Sector Deposit Fund.

5. INVESTMENTS (NON-SPECIFIED)

- 5.1 Non-Specified Investments have greater potential risk – examples include investment in the money market, stocks and shares.
- 5.2 Given the unpredictability and uncertainties surrounding such investments, the Council will not use this type of investment

6. LIQUIDITY OF INVESTMENTS

- 6.1 The Clerk and Responsible Finance Officer in consultation with the Finance & Governance Committee will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.
- 6.2 Investments will be regarded as commencing on the date the commitment to invest is entered into, rather than the date on which the funds are paid over to the counterparty.

7. LONG TERM INVESTMENTS

- 7.1 Long term investments are defined in the Guidance as greater than 36 months.
- 7.2 The Council does not currently hold any long-term investments. No long-term investments are envisaged during the forthcoming financial year.

8. INVESTMENT STRATEGY

- 8.1 The Council will continue to hold current year operating funds in a low-risk product. The Lloyds Bank Treasury account has been selected as being a low risk, high liquidity option.
- 8.2 It is recommended to transfer any funds above the risk level (currently £85,000) to a secondary account with a different banking provider. The council will periodically review appropriate secondary accounts to be the provider for a secondary account.
- 8.3 Low risk products offer limited returns in relation to prevailing rates of inflation. This means that funds held for longer term projects will lose some of their relative value over time.

- 8.4 In considering the potential performance of lower liquidity investments it was recommended that longer term investments should be considered for "Ear Marked Reserve" where the monies are being held for longer term future projects (more than two years into the future). This may require longer notice periods for withdrawal of funds

9. REVIEW

- 9.1 The management of this policy will be by the Clerk / RFO and reported to the Finance & Governance Committee.
- 9.2 This policy will be reviewed by the Finance & Governance Committee on an annual basis. Any variation to the policy will be submitted to the full council for approval.
- 9.3 At the end of the financial year, the Clerk and Responsible Finance Officer will report on investment activity to the full Council.