

Loans and Investments Policy

Document Control

Review date is indicative and will depend on changes in legislation, best practice or when required.

Alternative formats of this document may be available upon request.

1.0 INTRODUCTION

1.1 Should the Parish Council need a loan from the Public Works Board Loan or wish to place an investment of its monies, the terms shall be negotiated by the Parish Clerk in the name of the Council and shall be for a set period of time in accordance with resolution from Full Council.

1.2 This policy sets out the financial management procedures for the monitoring of the cash flow and banking arrangements of Aston, Cote, Shifford and Chimney Parish Council.

1.3 Authority reference is to the Council's Financial Regulations.

1.4 The Local Government Act 2003 Section 12 provides the power to invest in the following circumstances -

- a. for any purpose relevant to its functions under any enactment; or
- b. for the purpose of the prudent management of its financial affairs.

Section 15(1) of the Act requires a local authority to have regard to guidance issued by the Secretary of State.

1.5 The Council acknowledges its duty of care to the community and the prudent investment of funds.

1.6 Changes to loans and investments should be reported to the Full Council at the earliest opportunity.

1.7 The Council's Sustainability Framework will be considered when approving the Council's financial institution for investments and when ensuring that the Council's reserves are invested wisely.

2.0 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; and
- 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.

3.0 LOANS

3.1 Any loans made by the Council should be approved by the Full Council and in the name of Aston, Cote, Shifford and Chimney Parish Council.

3.2 Any loans given should be reviewed by the Full Council on an annual basis against the Terms of the Contract.

4.0 BORROWING

4.1 All borrowings shall be taken out in the name of Aston, Cote, Shifford and Chimney Parish Council.

4.2 Any formal decision to apply for and to exercise a borrowing approval must be made by Full Council.

4.3 The Council may borrow funds but will require the formal written approval of the Secretary of State.

4.4 The Council must contact the Oxfordshire Associations of Local Councils (OALC) to discuss the proposal and to obtain the Application Form for the Approval.

4.5 Borrowing must be for a specific, generally capital expenditure, purpose detailed on the application form and in a report to council.

4.6 Whilst the loan may be taken from any source, the Public Works Loan Board (PWLB) is preferred. Irrespective of the source, an Approval is required and no mortgage or charge on property is allowed.

5.0 INVESTMENTS

5.1 All investments and money under the control of the Full Council shall be in the name of Aston, Cote, Shifford and Chimney Parish Council.

5.2 All investment certificates and other relating documents shall be retained in the custody of the Parish Clerk.

5.3 All investments, deposits and interest will be in pound sterling (£).

5.4 All investment and deposits will be with banks or building societies registered in the United Kingdom.

5.5 The credit ratings of the institutions will be a minimum of 'A' and these will be monitored regularly.

5.6 In order to spread the financial risk to a minimum, investments will be made with a minimum of two financial institutions.

5.7 Investments for current expenditure will be on instant access accounts with a daily feeder to the current account.

5.8 Investments not required for current expenditure (i.e. earmarked reserves) may be placed on medium term deposits to be reviewed each year one year.

5.9 Investments not required for current expenditure (i.e. general reserve) may be placed on longer term deposits of up to two years.

Adopted - March 2021

Last Review Date – March 2024

Review Date – March 2025

ANNUAL INVESTMENT STRATEGY 2024-25

1. Introduction

Aston, Cote, Shifford and Chimney Parish Council acknowledges the importance of prudently investing the temporarily surplus funds held on behalf of the community.

This strategy has been prepared in accordance with the Guidance on Local Government Investments ('the Guidance'), issued under section 15(1) (a) of the Local Government Act 2003, effective from 1st April 2010.

The Local Government Act 2003 states that a local authority may invest:

- for any purpose relevant to its functions under any enactment,
- for the purpose of prudent management of its financial affairs

The Council defines its treasury management activities as "The management of the Council's cash flows, its banking and money market transactions, and the effective control of the risks associated with those activities, and the pursuit of best value performance consistent with those risks."

The Guidance states:

- a) Where a Town or Parish Council expects its investments at any time during a financial year to exceed £500,000, the Guidance should apply in relation to that year.
- b) Where a Town or Parish Council expects its investments at any time during a financial year to exceed £10,000 but not £500,000, it should decide on the extent, if any, to which it would be reasonable to have regard to the Guidance in relation to that year.
- c) Where a Town or Parish Council expects its investments at any time during a financial year not to exceed £10,000, no part of the Guidance need be treated as applying in relation to that year.

The Council expects its investments during the 2023-24 financial year not to exceed £500,000 and therefore has agreed to apply the Guidance as set out below.

2. Investment Objectives

The Council's investment priorities are:

- 1) The security of its reserves;
- 2) The liquidity of its investments; and
- 3) The return on 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, and, as a minimum, surplus funds will be aggregated in an interest-bearing bank account.

The Department for Communities and Local Government maintains that borrowing of monies purely to invest, or to lend and make a return, is unlawful and this Council will not engage in such activity.

Investments will be spread over different providers where appropriate to minimise risk.

3. Security of Investments

Government guidance differentiates between specified investments and non-specified investments.

3.1 Specified Investments

Specified investments are those offering high security and high liquidity with a maturity of no more than one year. In addition, short-term sterling investments must be with bodies/institutions with “high credit ratings”.

For the prudent management of its treasury balances, maintaining sufficient levels of security and liquidity, the Council will use:

- • UK banks and UK building societies;
- • Public Bodies (including Local Authorities and Police Authorities);
- • UK FCA regulated qualifying money market funds with a triple A rating.

3.2 Non-specified investments

Non-specified investments are usually for longer periods (i.e. more than one year) and with bodies that are not highly credit-rated. No non-specified investments are included in the Investment Strategy for this Council as these investments are not acceptable due to their higher potential risk.

4. Liquidity of Investments

The Parish Clerk in consultation with the Full Council of Aston, Cote, Shifford and Chimney Parish Council will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.

5. Long Term Investments

Long term investments shall be defined as greater than one year. The Council will use the same criteria for assessing long term investment as identified above for specified investments.

The Council does not currently hold any long-term investments.

6. Risk Assessment

The Parish Council's funds are covered by the Financial Services Compensation Scheme (up to £85,000) as our total expenditure does not exceed £500,000 and but must still be carefully managed to mitigate the risk of losses.

The Council will only invest in institutions of "high credit quality" as set out in section 3.1 of this strategy. The Council will monitor the risk of loss on investments by reference to credit ratings. The Council should aim for ratings equivalent to the Fitch F1 rating for short-term investments or Fitch A- for long term investments. The Council will also have regard for the general economic and political environment in which institutions operate.

The investment position will be reviewed monthly by the Parish Clerk and reported to the Full Parish Council.

The Council does not employ, in-house or externally, any financial advisors but will rely on information which is publicly available.

7. Use of Investment Managers

If external investment managers are used, they will be contractually required to comply with this strategy.

8. Investment Strategy 2024/25

The Council will invest as much of its balance as possible in a low-risk product in order to achieve its investment objectives.

To maintain a return on its investment and in the light of low interest rates currently available to the Council and considering the potential performance of lower liquidity investments; it is recommended that the Council will continue with its investment with the Public Sector Deposit Fund of the CCLA in order to aim to achieve an optimum return on funds. The recommendation is that £51,677.60 currently invested in the fund is maintained.

Dividends from this investment will be placed in the current account for use supporting grant applications and projects within the parish.

The Public Sector Deposit Fund (PSDF) has been identified as a low risk, high liquidity option (funds can be moved in or out in the same day) to be used in the first year of investment. A minimum £15,000 will remain as our operating costs in the Unity Trust account.

The relevant FPC officers shall have delegated authority (as contained within Financial Regulations) to set up any accounts/funds as approved in this policy and undertake transfers between the Unity Trust Account and the PSDF as required to ensure the minimum operating cost balance is maintained.

9. Investment Approval

The Full Council has the authority to consider and make any short-term investments (maximum of twelve months), in accordance with the Annual Investment Strategy, subject to the prior approval of the investment provider by the Parish Council. All resolutions relating

to investments will be noted in the minutes of the Full Council meetings that are circulated to all councillors.

10. Investment Reports

The Parish Clerk will prepare a report on investment activity for each Full Parish Council meeting. The report will be circulated to all councillors with the agenda and papers for the Full Parish Council meeting.

11. Review and Amendment of Regulations

The Investment Strategy will be reviewed annually. The Annual Strategy for the coming financial year will be prepared by the Parish Clerk and reviewed by the Full Council.

The Council reserves the right to make variations to the Strategy at any time, subject to the approval of the Full Council. Any variations will be made available to the public.

12. Freedom of Information

In accordance with the Freedom of Information Act 2000, this Document will be posted on the Parish website and a hard copy will be available from the Parish Clerk.

Approved by Aston, Cote, Shifford and Chimney Parish Council on 7th March 2024 under minute number 13a/P1840.