

Ollerton & Boughton Town Council

Investment of Funds Policy

Statement

The Council accepts its responsibility for risk management, appropriate to its scale and operations, and taking account of best practice as embodied in 'Governance and Accountability for Local Councils, a Practitioner's Guide (England) - March 2014'.

Introduction

The Council acknowledges the importance of prudently investing any temporary surplus funds held on behalf of the community.

This Strategy complies with the revised requirements set out in the Department for Communities and Local Government's Guidance on Local Government Investments and Chartered Institute of Public Finance and Accountancy's Treasury Management in Public Services: Code of Practice and Cross Sectoral Guidance Notes and takes account of the Section 15(1)(a) of the Local Government Act 2003 and best practice from the National Association of Local Councils and CIPFA.

Investment Objectives

In accordance with Section 15(1) of the 2003 Act, the Council will have regard to:

- (a) such guidance as the Secretary of State may issue, and
- (b) to such other guidance as the Secretary of State may by regulations specify.

Specifically the latest guidance from the Department for Communities and Local Government is given in their publication "Guidance on Local Government Investments" dated March 2010. The Clerk has a copy of this document and it should be considered an integral part of this strategy.

The guidance defines a prudent investment policy as having two objectives: achieving first of all **security** (protecting the capital sum from loss) and then **liquidity** (keeping the money readily available for expenditure when needed). The generation of investment income is distinct from these prudential objectives and is accordingly not a matter for the guidance. However, that does not mean that authorities are recommended to ignore such potential revenues. Once proper levels of security and liquidity are determined, it will then be reasonable to consider what **yield** can be obtained consistent with those priorities. This widely-recognised investment policy is sometimes more informally and memorably expressed as follows:

Security - Liquidity -Yield ...in that order!

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.

Specified Investments

Created	Version	Adopted	Reviewed
2 nd December 2015	1	2 nd December 2015	10 th June 2026

Specified Investments are those offering high security and high liquidity, made in sterling and with a maturity of no more than one year. Such short term investments made with the UK Government or a local authority will automatically be Specified Investments. For the prudent management of its treasury balances, maintaining sufficient levels of security and liquidity, Ollerton and Boughton Town Council will use deposits with banks, building societies, local authorities or other public authorities.

Non-Specified Investments

These investments have greater potential risk – examples include investment in the money market, stocks and shares.

Given the unpredictability and uncertainties surrounding such investments, this Council will not use this type of investment.

Liquidity of Investments

The Responsible Finance Officer will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity. This will be kept permanently under review.

Investment in Practice

At present, the Council has invested all surplus funds with Lloyds Bank, a part of the Lloyds Banking Group – in which until recently the Government held a minority stake. The Council considers it prudent to continue this strategy of using only the major UK banks. However the Council also recognises that there is a risk (however small) that there could be circumstances when a bank is allowed by the Government to fail. If this were to happen depositors would have their deposits secured by the Financial Services Compensation Scheme (FSCS) up to a maximum of £85,000. This limit will be reduced on 1 January 2016 to £75,000. The Scheme includes Town and Parish Councils.

In view of this, the Council might consider opening accounts with other banks in order to reduce deposits in any one bank to £75,000. There is extra work and inconvenience in putting such a step into operation and the Council will weigh this against the risk of not doing it.

Review

This strategy will be reviewed each year.