

DATCHET PARISH COUNCIL INVESTMENT STRATEGY

Adopted by Council April 2023

For review: March 2024

1. INTRODUCTION

This investment strategy establishes formal objectives, policies, practices and reporting arrangements for the effective management and control of the Datchet Parish Council's treasury management activities and the associated risks. It should be read in conjunction with the Council's Financial Regulations.

Datchet Parish Council (DPC) acknowledges its duty of care to the community and the prudent investment of funds. This strategy and policy document relates to the management of DPC reserves.

2. RELEVANT REGULATIONS AND GUIDANCE

- 2.1 The Local Government Act 2003 Section 12 provides 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. Section 15(1) of the Act requires a local authority to have regard to guidance issued by the Secretary of State.
- 2.2 Current applicable national guidance¹ applies to councils with total investments over £100K and requires the adoption and publishing of Investment Strategies which set out the risk profile of the PC's investments and how investment returns will contribute to service delivery. PCs are enjoined to prioritise Security, Liquidity and Yield in that order of importance, and to be especially clear about whether core service provision is in any way reliant on investments generating certain yields. Councils are also required to demonstrate that members and officers have appropriate capacity, skills and information to enable them to take informed decisions in this area.
- 2.3 This policy also complies with the expectations of the *Governance and Accountability for Local Councils Practitioners Guide 2019*.

3. RESERVES

It is unlawful for Parish Councils to operate in overdraft. The Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure, but at the same time Councils have no legal power to hold reserves other than those for reasonable working capital needs or for specifically earmarked purposes. General (unrestricted) reserves can be used to smooth the impact of uneven cash flows or can be held in case of unexpected events or emergencies. Purposes for earmarked reserves can include renewal of assets; carry forward of underspends; specific augmentation of insurance cover, or other foreseeable liabilities. The amount of

¹ *Statutory Guidance on Local Authority Investment*, UK Secretary of State, April 2018

general reserve should be assessed annually in terms of risk and opportunity costs and approved as part of the budget process to confirm as still appropriate.

4. INVESTMENT OBJECTIVES

3.1 The Council's investment, in priority order, are:

- a. 3.1.1 the security of its funds,
- b. 3.1.2 the adequate liquidity of its investments, and
- c. 3.1.3 the return on investment - the Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity

4.2 The choice of investment will ensure that both credit rating and investment spread over different providers require they are reviewed regularly to ensure that the council only invest in institutions of high credit quality, based on information from credit rating agencies (as defined) and spread over different providers to minimise risk.

5. SPECIFIED INVESTMENTS

5.1 Specified investments are those offering high security and high liquidity, made in sterling and with a 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.

5.2 The Council, for prudent management of its treasury balances may use:

- a. 4.2.1 Treasury Deposits with UK clearing banks
- b. 4.2.2 Local Authorities or other Public Authorities
- c. 4.2.3 Other approved public sector investment funds

5.3 The choice of institution and length of deposit will be at the approval of the Council

5.4 The Council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

6. NON-SPECIFIED INVESTMENTS

6.1 These investments have greater potential risk – examples include investment in the money market, stocks and shares. Given the unpredictability and uncertainty surrounding such investments the Council will not use this type of investment.

7. SECURITY OF INVESTMENTS

The Parish Council will seek to protect funds from loss, in these ways:

- a. All investment and deposits will be with schemes of high quality, which may include the UK Government, UK Financial Services Compensation Scheme (FSC)-registered financial institutions, or via another local authority.

- b. All investments, deposits and interest will be in £ sterling.
- c. To minimise financial risk, fixed-term investments will be made exclusively via FSC-guaranteed £85,000 maximum financial products, with checks to ensure that no more than the FSC-permitted maximum total deposit is made with any one financial entity (including parent/subsidiary entities).
- d. The choice of investment institutions/products will be subject to due diligence review, making reference to relevant sources of financial, economic and ratings information.
- e. Monitoring procedures will include regular checks to ensure compliance with these policy lines.

8. LIQUIDITY OF INVESTMENTS

8.1 The Council in consultation with the Lead Councillor for Finance, the Finance Officer and the Responsible Finance Officer will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.

8.2 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.

9. YIELD

When deciding where to hold surplus funds, the Council will consider what yields are available. It will seek to maximise yield as long as the prudential objectives of security and liquidity are met.

9. INVESTMENT STRATEGY 2023 – 2024

For 2023/2024, the Council will invest as much of its balance as possible in a low-risk product to achieve its investment objectives.

10. END OF YEAR INVESTMENT REPORT

Investment forecasts for the coming year are considered when the budget is prepared. At the end of the financial year the Responsible Finance Officer will report on investment activity to the Council.

11. REVIEW AND AMENDMENT OF REGULATIONS

11.1 The Annual Investment Strategy must be reviewed annually and revised if considered necessary. Any changes will be approved by Council.

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

12. TRANSPARENCY and ACCOUNTABILITY

This document will be posted on the Council's website: www.datchetparishcouncil.org.uk