

Investment of Surplus funds

1. Introduction

Drayton Parish Council acknowledges the importance of prudently investing the temporary surplus funds held on behalf of the community as part of its fiduciary duty. In preparing its investment policy the Council is required under Section 15(1) of the Local Government Act 2003 to have regard to the following documents:-

- Department for Communities and Local Government Guidance on Local Government Investments - Statutory Guidance on Local Government Investments (3rd Edition) effective for financial years commencing on or after 1 April 2018
- Governance and Accountability for Local Council's Practitioner's Guide (March 2018)

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

2. Investment Objectives

The Council's investment priorities are the security of reserves and liquidity of its investments. 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. 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 the Council may not engage in such activity

3. Short Term Investments

Short term investments are those offering high security and high availability, made in sterling and maturing within one year.

For the prudent management of its cash balances whilst maintaining sufficient levels of security and liquidity, the Council will use deposits with

UK banks,

UK building societies,

Licensed Deposit Takers (licensed by the Bank of England as the Prudential Regulation Authority),

UK local authorities or other UK public authorities

The debt management agency of HM Government

4.

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, the Council will not use this type of investment.

5.

Long term Investments

Long term investments shall be defined as greater than one (1) year.

The Council will use the same criteria for assessing long term investment as for Short Term investments and will also require that, should the Council wish to invest for periods greater than one (1) year it must identify the procedures for monitoring, assessing and mitigating the risk of loss of invested sums.

It is not the policy of the Council to have any long term investments.

Funds are accumulated to cover anticipated asset replacement costs and to provide for envisaged projects and may be required at short notice. The Council does not currently hold any funds in long term investments

6. Access to Investments

The maximum period for which funds may prudently be committed so as not to compromise availability using the appropriate cash flow projection will be recommended by the Chairman of the Governance Committee in consultation with the Responsible Finance Officer and reported at the

next meeting of the Council or Governance Committee, whichever is first. The final decision will be made by the Full Council. The Council is ultimately responsible for its investments.

7. Policy Review

Policy to reviewed annually within the Governance arrangements and responsibilities of the Committee.

Approved by Full council 7 June 2018

Appendix

Extracts from Governance and Accountability for Local Council's Practitioner's Guide (March 2018)

2.21

Short-term investments, which mainly include deposit and savings accounts typically provided by banks, are those that display the following characteristics:

- are denominated in pounds Sterling;
- have a maturity of 12 months or less;
- the whole of the original sum invested can, from the time that the investment is made, be accessed for use by the authority without any reduction; and
- the authority has assessed the counterparty and is satisfied that the original sum invested is not subject to unreasonable risk.

5.28. It is unusual for an authority to hold its reserves other than in the form of easily accessible bank deposits or other short-term investments (see paragraph 2.21 in Section 2 of the Guide for a definition). Occasionally, circumstances require authorities to consider making other types of investments, for example when saving for a future capital project or while deciding how to apply the proceeds of an asset sale or a donation.

5.29. In deciding whether it is appropriate to make long-term investments, the authority should follow the Guidance on local government investments issued by *The Ministry of Housing, Communities and Local Government* with effect from 1 April 2018.

5.30. The authority's investment strategy will set out management arrangements for the investments held and procedures for determining the maximum periods for which funds may prudently be committed. The strategy should ensure and demonstrate that the authority has properly assessed the risk of committing funds to longer term investments and complies with legislative requirements. Long-term investments in assets whose capital values may fluctuate carry considerable risks and require active management. Investment management is a specialist area. Authorities may wish to seek independent professional assistance when developing their investment strategy.