

Rusthall Parish Council

Investment Policy

1. Purpose

This Investment Policy sets out how Rusthall Parish Council (“the Council”) will manage and invest its funds in accordance with statutory requirements, recognised best practice, and the Council’s adopted Financial Regulations.

The policy reflects guidance issued by the National Association of Local Councils (NALC) and ensures that public funds are managed prudently, transparently, and in the best interests of the community.

2. Legal and Governance Framework

The Council will comply with:

- The Local Government Act 2003
- Statutory Guidance on Local Government Investments (Department for Levelling Up, Housing and Communities)
- The Council’s Financial Regulations (in particular sections relating to banking, investments, and risk management)
- Proper Practices as set out in Governance and Accountability for Smaller Authorities

This policy should be read in conjunction with:

- Financial Regulations
- Risk Management Policy
- Reserves Policy

3. Investment Principles (NALC Alignment)

In line with NALC guidance, the Council adopts the following priorities:

1. Security – protecting the capital sum invested
2. Liquidity – ensuring funds are available when needed
3. Yield – obtaining a reasonable return, consistent with the above

The Council will not pursue high returns at the expense of security or liquidity.

4. Investment Strategy

4.1 General Approach

The Council is a risk-averse body and will adopt a cautious investment strategy. Investments will be limited to those offering high security and easy access.

The Council will:

- Spread investments across more than one institution where practical
- Avoid speculative or high-risk investments
- Ensure investments are appropriate to the scale of its balances

4.2 Short-Term Investments (less than 12 months)

Permitted investments include:

- Instant access or notice deposit accounts
- Fixed-term deposits up to 12 months
- UK Government-backed deposit facilities
- Deposits with other local authorities

These will form the core of the Council’s treasury management.

4.3 Long-Term Investments (longer than 12 months)

In accordance with statutory guidance and Financial Regulations:

- Long-term investments will only be made where funds are clearly identified as surplus to short- and medium-term requirements
- The Council will formally approve any long-term investment decision
- Such investments will remain low risk (e.g. fixed-term deposits, UK gilts where appropriate)

5. Financial Regulations Compliance

In line with the Council's Financial Regulations:

- All investments must be approved by the Council
- The Responsible Financial Officer (RFO) is responsible for implementing decisions and managing investments
- Investment decisions must be recorded in the minutes
- The Council will review investment arrangements at least annually
- No investment shall be made in a manner that conflicts with the Council's duty to safeguard public funds

6. Approved Institutions and Limits

6.1 Approved Institutions

The Council will only invest with:

- UK banks and building societies regulated by the Prudential Regulation Authority
- Institutions covered by the Financial Services Compensation Scheme (FSCS)
- Other local authorities
- UK Government or government-backed bodies

6.2 Investment Limits

To reduce risk:

- No more than £120,000 (or current FSCS limit) will normally be held with a single banking group unless the institution is government-backed
- Higher limits may be approved for low-risk public sector bodies (e.g. other local authorities)
- The Council will maintain diversification where balances permit

7. Liquidity and Reserves

The Council will ensure:

- Sufficient liquidity to meet operational and capital commitments
- Alignment between investments and the Council's Reserves Policy
- Cash flow forecasting is undertaken by the RFO

Funds required for:

- Day-to-day expenditure
- Earmarked reserves
- Known capital projects

will not be locked into long-term investments.

8. Risk Management

Consistent with Financial Regulations and NALC guidance, the Council will manage:

- Credit Risk – by using high-quality institutions and diversification
- Liquidity Risk – by maintaining accessible funds
- Interest Rate Risk – by balancing fixed and variable rate deposits
- Inflation Risk – recognised but secondary to security

The Council acknowledges that the return on investments may be modest due to its low-risk approach.

9. Ethical Investment Considerations

Where practical and consistent with fiduciary duty, the Council will avoid investments that conflict with community values or could bring reputational risk.

However, ethical considerations will not override the primary objectives of security and liquidity.

10. Monitoring and Reporting

The RFO will:

- Monitor the performance and security of investments
- Report to the Council at least quarterly (or as required by Financial Regulations)
- Include investment information in financial reports and year-end accounts

Reports will include:

- Current balances
- Interest earned
- Compliance with this policy

11. Review and Amendment

This policy will be:

- Reviewed annually by the Council
- Updated in line with changes to legislation, NALC guidance, or Financial Regulations

12. Responsibility and Delegation

- The full Council retains overall responsibility for investment strategy
- The RFO is responsible for day-to-day management and implementation
- Delegated authority must be exercised strictly within Financial Regulations