



## **BOURTON ON THE WATER PARISH COUNCIL ANNUAL INVESTMENT POLICY**

### **1.0 Introduction**

Bourton on the Water Parish Council (“the 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 Governments Investments (“the Guidance”) issued under section 15 (1) (a) of Local Government Act 2003, effective 1st of April 2010.

The Guidance states that:

- (a) where the 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 the 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 to which it would be reasonable to have regard to the Guidance in relation to that year;
- (c) where the 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;

### **2.0 Investment Objectives**

The Guidance states that investment priorities are 1) the security of reserves 2) the liquidity of its investments and 3) yield.

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

### **3.0 Security of Investments**

Government guidance differentiates between specified and non-specified investments as follows:

#### **3.1 Specified Investments**

Specified Investments are those offering high security and high liquidity, made in sterling and which are not long-term (ie which do not mature more than 12 months from the date of the investment). Specified investments must be made with bodies/institutions with “high credit ratings” or with one of a number of listed public-sector bodies, such as the government, a local authority or a parish/community council.

#### **3.2 Non-Specified Investments**

All other types of investment are defined as non-specified investments. These investments have greater potential risk – examples include investment in the money market, stocks and shares.

### **4.0 Risk Assessment**

The Council’s reserves are covered by the Financial Services Compensation Scheme which covers deposits up to £85,000 and investments up to £50,000 - this will be taken into account when establishing the Strategy in order to mitigate the risk of losses.

The Council will only invest in institutions of “high credit quality” as set out in 3.1; where relevant, investments will be spread over different providers to minimise risk.

The RFO will report to the F&GP Committee twice annually, and will forward interim performance and other reports from the investment provider to the F&GP Committee, for information, as and when received;

### **5.0 Council Strategy**

The Council expects its investments during the financial year 2018-19 to exceed £10,000 but not exceed £500,000 and will therefore consider to what extent it would be reasonable to apply the Guidance.

The Council is currently receiving minimal return on its treasury investments and bank deposits and has decided it is proper to investigate whether its investment return can be

optimised whilst maintaining proper levels of security and liquidity. All investments will be made in sterling.

Option 1:

The Council considers a small degree of risk is acceptable for an investment below the sum of £150k in order to generate income over the long-term and maximise its surplus reserves for the benefit of the community. In this instance, an investment in non-specified investments is deemed acceptable, subject to the following criteria:

- advice from an established and reputable Independent Financial Adviser;
- investment only in moderate or cautious investment vehicles;
- a maximum investment term of 5 years;
- prior approval by the Council of each specific investment.

Any investment of funds in excess of £150k or a 5 year term will be made only in specified investments as set out in 3.1.

Option 2:

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

For the prudent management of its surplus funds and to maintain sufficient levels of security and liquidity the Council will only invest in specified investments such as banks or building societies with high credit ratings, or with other appropriate public-sector investment vehicles such as NS&I, LAMIT etc.

**6.0 Liquidity of Investments**

The Finance and General Purposes (“F&GP”) Committee in consultation with the Clerk/ Responsible Finance Officer (“RFO”) will make recommendation to the Council for approval regarding the maximum periods for which investment funds may prudently be committed so as not to compromise liquidity.

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.

**7.0 Investment Approval**

The F&GP Committee will make recommendation to the Council for approval in respect of all investments.

**8.0 Investment Reports**

Twice yearly the RFO will prepare a report on investment activity for the F&GP Committee to consider, and this will be presented to the Council, for information.

**9.0 Review and Amendment of Regulations**

The Strategy will be reviewed annually. The Annual Strategy for the coming financial year will be prepared by the RFO and presented for approval at a F&GP Committee Meeting prior to the end of the current financial year. The F&GP Committee will then make a recommendation to the Council for approval prior to the commencement of the next financial year.

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

The Council reserves the right to make variations to the Strategy at any time, subject to the prior approval of the Council. The Strategy and any variations to it will be made available to the public in accordance with requirements of the Freedom of Information Act 2000 and any subsequent amendments. The Strategy will be posted on the Parish website and a hard copy will be available from the Parish office.