

2021

Deddington Parish Council

Parish Office
Windmill Centre
Hempton Road
Deddington
Banbury
Oxon OX15 0QH

Tel: 01869 337447

Email: deddingtonparishcouncil@googlemail.com

Susan Fuller - Clerk to the Council



INVESTMENT STRATEGY

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DEDDINGTON PARISH COUNCIL

ANNUAL INVESTMENT STRATEGY

1. Introduction

The Council acknowledges the importance of prudently investing the surplus funds held on behalf of the community. This strategy has been prepared in accordance with the Guidance on Local Government Investments ('the Guidance'), issued under section 15(1) (a) of the Local Government Act 2003, effective from 1st April 2010. Key points are:

- The revised guidance makes even clearer that the investment priorities should be security and liquidity, rather than yield.
- The Investment Strategy should go to council at the start of each year, but if necessary revised strategies can be issued at other times.
- The strategy should comment on the use of credit ratings and of any additional sources of information on credit risk.
- It is now a formal recommendation that the Strategy is published.

2. Investment Objectives

The Council's investment priorities are: 1) the security of its reserves; 2) the liquidity of its investments; and 3) return. 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 and, as a minimum, surplus funds will be aggregated in an interest-bearing bank account.

3. Security of Investments

Government guidance differentiates between specified investments and non-specified investments.

3.1 Specified Investments

Specified investments are those offering high security and high liquidity with a maturity of no more than one year. In addition, short-term sterling investments should in general be with bodies/institutions with "high credit ratings". The council will follow the definition of "high credit rating" as set out in the Appendix.

It should be noted that a high credit rating is not the sole criterion for determining initial and ongoing investment. The Responsible Financial Officer together with Finance & General Purposes (F&GP) will monitor investments, having regard to the economic climate and reporting in the financial press. If deemed necessary, an investment may be called in before its maturity if it is deemed that any resulting financial loss is offset by the need to secure the capital.

For the prudent management of its investments, maintaining sufficient levels of security and liquidity, the Council will restrict its investment choices to:

- UK banks and UK building societies;
- Public Bodies (including Local Authorities and Police Authorities);

3.2 Non- specified investments

Non-specified investments are usually for longer periods (i.e. more than one year) and with bodies that are not highly credit-rated. No non-specified investments are included in the Investment Strategy for this Council as these investments are not considered acceptable due to their higher potential risk and restricted liquidity.

4. Liquidity of Investments

The Responsible Finance Officer in consultation with the Finance and General Purposes (F&GP) will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.

5. Risk Assessment

Until July 2015, the Council's investments were excluded from the protection given by the Financial Services Compensation Scheme (FSCS). Now investment with each licensed institution by parish councils such as ours *is* covered up to a limit of £85,000.

It should be borne in mind that it would be impossible for the council to mitigate all of the possible risks inherent in investing cash balances. Further economic or banking problems could impact on the security or returns achieved from the investment strategy.

The Council will seek to invest in institutions of "high credit quality" as set out in section 3.1 of this strategy. However, as was resolved at the March 15, 2017, meeting of Deddington Parish Council, the rating of the institution could be disregarded where there is Financial Services Compensation Scheme coverage for the whole of the investment.

To date the Government has not amended its 2010 guidance to take account of the newly-available compensation regulations. The Council will in the meantime seek to minimise investment risk by spreading Investments over different providers and limiting, where possible, deposits in any one institution to £85,000. (It should be noted that some investment groups have a single license covering its subsidiaries rather than a separate license for each subsidiary. As a result, protection for all is limited to £85,000.)

The Council will continue to monitor the security of investments by reference to credit ratings as set out in the Appendix.

The Council will also have regard for the general economic and political environment in which institutions operate. The investment position will be reviewed regularly by the Responsible Financial Officer and Finance and General Purposes (F&GP).

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

6. Investment Approval

The F&GP in conjunction with the Responsible Financial Officer will determine suitable investments that satisfy the criteria set out in this Strategy.

All decisions relating to investments will be noted in the minutes of the F&GP and reported to the council at the next meeting.

7. Investment Reports

The Responsible Finance Officer will prepare a report on investment activity for each council meeting.

8. Review and Amendment of Regulations

The Investment Strategy will be reviewed annually. The Annual Strategy for the coming financial year will be prepared and reviewed by F&GP, which will then make a recommendation to council.

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

10. Freedom of Information

In accordance with the Freedom of Information Act 2000, a copy of this document can be obtained from the Parish Clerk. The Strategy will also be published on the website.