



QUENIBOROUGH PARISH COUNCIL

INVESTMENT STRATEGY

1. Introduction

Queniborough Parish Council acknowledges the importance of prudently investing the temporarily surplus funds held on behalf of the community. This Strategy complies with the requirements set out in The Ministry of Housing, Communities and Local Government Guidance on Local Government Investments, Section 15(1) (a) of the Local Government Act 2003 and Guidance within Governance and Accountability for Local Councils Practitioner's Guide.

This guidance applies to parish councils and charter trustees, providing their total investments exceed or are expected to exceed £100,000 at any time during the financial year. Where a parish council or charter trustee expects its total investments to be between £10,000 and £100,000, it is encouraged to adopt the principles in this guidance.

2. Investment Objectives

The Parish Council's objectives are the security of reserves and liquidity of its investments. The Council will aim to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The Council will therefore aim to achieve the optimum return on its investments commensurate with appropriate levels of security and liquidity. The Department for Communities and Local Government maintains the borrowing of money purely to invest or to lend and make a return is unlawful and the Council will not engage in such activity.

The Council's investment priorities therefore are, in order of importance;

- The security of its reserves
- The adequate liquidity of its investments
- The return (yield) on investments
- Ethical and environmental considerations insofar as this is reasonably practicable. The Council recognises that there are limitations on the extent to which it can make Environmental, Social and Governance comparisons and assessments on not least owing to:
 - a. Multiple and diverse sustainability frameworks and standards including on sustainability disclosure.
 - b. The lack of common definition of sustainable activities.
 - c. Greenwashing (a difficulty establishing the depth of claimed green credentials).

The Council may invest surplus funds as below;

- Interest bearing instant access or notice deposits bank or building society accounts (where more than one notice deposit accounts are used and to retain liquidity these shall be placed with phased end dates i.e. there will always be some maturing sooner than others).

- The CCLA Public Sector Deposit fund
- Bonds of 12 month's or less in duration
- Unity Trust Instant Access Savings Account
- Unity Trust Current Account for day to day banking

3. Specified Investments

Specified Investments are those offering high security and high liquidity, made in sterling and which mature in no more than a year. For the prudent management of its treasury balances, maintaining sufficient levels of security and liquidity, Queniborough Parish Council will use;

- Deposits with banks, building societies, local authorities or other public authorities
- Other approved public sector investment funds

The Council's current investments are spread across two different institutions in order to reduce counterparty risk. Day-to-day banking will remain with Unity Trust Bank (previously a subsidiary of the Co-operative Bank).

4. Non-Specified Investments

Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares nor long-term investments (i.e. those that are due to mature 12 months or longer from the date of arrangement).

Non-specified investment will therefore be limited to investments with bodies or schemes not meeting the definition of 'high credit quality'. The Council's investments with Unity Trust Bank are non-specified investments as the bank is not credit rated. Such ratings are required to facilitate inter-bank borrowing, and as Unity Trust Bank does not borrow money from other banks, they do not require a credit rating. Unity Trust Bank has never traded in sub-prime investments or the complex financial instruments that have resulted in difficulties for many organisations. Despite it being a non-specified investment it is considered as an acceptable Bank to invest in by the Council as the Bank has a low-risk appetite, particularly toward credit risk. This is evidenced within the lending portfolio with a whole book average LTV of c45%, 97% of lending within risk grades 1-5 and very low levels of default.

5. External Borrowing Strategy

The Parish Council acknowledges the importance of borrowing funds and the financial impact on the Council and the local community. The Council will agree borrowing for specific capital projects (as defined in section 16 of the 2003 Act), and gain approval for borrowing by sending an application to the National Association of Local Councils (NALC). All borrowings must be approved by full council.

The Parish Council will ensure the following criteria when considering requesting a borrowing approval:

- The borrowing should be only be used for the purpose of Capital expenditure as defined by Section 16 of the Local Government Act 2003.
- Any unallocated balances including, where appropriate capital receipts beyond those required for the prudent financial management of the council, should be used in the project for which the borrowing is required.

- The Parish Council should have a realistic budget for the servicing and repayment of the debt, taking into account the future effect on the council's precept and cash flow.
- The Council must not mortgage or charge any of its property as security for money borrowed.

The Parish Council will pursue the best possible terms when borrowing but will generally use the Public Works Loan Board (PWLB). The Parish Council considers that the fixed term rates offered by the PWLB are relatively inexpensive and that PWLB loans are most likely to offer stability for the financial planning of the council.

The Parish Council will determine the period of each loan which should not exceed the period for which the expenditure is forecast to provide benefit to the Council i.e., useful life of the asset.

6. Liquidity of Investments

The Clerk/Responsible Finance Officer in consultation with the Full Council will determine the maximum periods for which 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 counter party.

7. Investment Strategy 2024-25

The Investments will be split between;

- Redwood Bank 95 Day Notice Account
- UnityTrust Savings Account
- UnityTrust Current Account (will hold a working balance)

The RFO will have delegated authority to deposit funds with any of the council's existing bankers provided these transactions are reported to council as part of the monthly Financial Report.

8. Long Term Investments

Long term investments are defined in the Guidance as greater than 36 months. The Council does not currently hold any long-term investments. No long-term investments are envisaged during the forthcoming financial year.

9. Governance and Risk

All investments will be made in the name of the Parish Council and with UK registered financial institutions registered with and regulated by the Financial Conduct Authority. The Parish Council will monitor the yield on investments by having regard to the general financial, economic and political environment nationally. All resolutions relating to investments will be noted in the minutes.

10. End of Year Investment Report

At the end of the financial year, the Clerk/Responsible Finance Officer will report on investment activity to the Council.

11. Review and Amendment of Regulations

The strategy will be reviewed annually and presented for approval at Full Council. The Parish Council reserves the right to make variations to the Strategy at any time, subject to the approval of Full Council. Any variations will be minuted and made available to the public. The Investment strategy must be approved by Full Council, but may be varied from time to time as circumstances dictate.

12. Treasury Management Advice

Within the limited range of potential investments identified above, it is not considered necessary to engage the services of a treasury management adviser. Internet research is considered adequate. If required Treasury Management advice would typically come from either;

- The principal local authority
- Treasury management advisory firms who specialise in local authority and local town & parish councils
- Other local independent financial advisors with expertise in advising business and individuals with significant cash sums to manage and invest.

13. Freedom of Information

In accordance with the Freedom of Information Act 2000, this Document will be posted on the Council's Website: www.queniboroughpc.org.uk and is also available as hard copy from the Parish Council Office.