



Investment Policy

1. Introduction

Parish Councils have the power to invest for any purpose relevant to their functions under any enactment, or for the purposes of the prudent management of their financial affairs (s17, Local Government Act 2003).

The Local Government Act 2003 defines an investment widely, covering all a Parish Council's financial assets as well as other non-financial assets which are held mainly or partially to generate a profit e.g. investment property portfolios. It also covers loans made by Parish Councils.

HM Government's Statutory Guidance on Local Government Investments (3rd edition) was issued under section 15(1)(a) of the Local Government Act 2003. This guidance is mandatory where investments of a Parish Council are or are expected to exceed £100,000 at any point in a financial year and is followed here.

Goring-on-Thames parish Council (GPC) can hold temporary surplus funds because a) the precept arrives in April and October but is spent over the FY and b) because funds in the Earmarked Reserve (EMR) are not required for routine expenditure but are accumulated for pending capital projects such as traffic, playgrounds, refurbishment of pavilion etc.

This Strategy and Policy should be read in conjunction with section 8 of GPC's Financial Regulations.

2. Investment Policy

There are two defined classes of potential investments:

1. Treasury Management Investments – these are made to support effective treasury management activities e.g. cash flow management, banking and investing cash deposits.
2. Other investments – (GPC have had no such investments.)

GPC will operate a prudent investment policy for its temporary surplus funds giving priority to three key objectives in the following order of importance:

Security – protecting the capital sum invested against loss.

Liquidity – ensuring that funds invested are available for expenditure when needed; and

Yield (return) – once appropriate levels of security and liquidity have been determined, GPC will strive for the best rate of return consistent with this.

2.1. Security

As well as ensuring funds can only be withdrawn with at least 2 Council signatories, or to another GPC account, GPC aims to protect against capital loss as follows:

Financial Services Compensation Scheme



This scheme protects savings up to a specified limit in the event of failure of a financial services firm. The current limit is £85,000 per authorised institution.

GPC will strive to spread investments over different institutions and keep within the FSCS limit where possible. However, we will take into consideration the perceived risk of financial organisation failure compared with the administrative burden of managing numerous accounts.

Risk Assessment and Mitigation

GPC will not make investments unless it has enough understanding to make an informed decision.

GPC's aim is to invest via simple financial instruments which do not require expert knowledge or external advisors. Investment decisions will be based on publicly available information on yield and credit ratings.

Our Officers and Cllrs might not have expertise in investment analysis so if GPC should wish to consider more complex investment types, GPC will make training available to Officers and Cllrs as appropriate and/or get professional advice.

This information will be reviewed by the Finance Committee at least annually, and more often if there is a marked deterioration in performance, credit rating or market conditions. GPC will act to protect funds as necessary.

Financial Investments

- Specified Investments - these are made in sterling, for twelve months or less and are with a 'high quality' body or investment scheme or with the UK Government or another Local Authority. We consider UK banks and building societies that are protected by the Financial Services Compensation Scheme and investment schemes or rated 'A' or above by a credit rating agency (one of the following three companies: Standard and Poor's, Moody's Investors Service Ltd; and Fitch Ratings Ltd) to be 'high quality'. We also consider deposits with other public authorities and the Church Charities and Local Authorities (CCLA) Public Sector Deposit Fund to be 'high quality'. GPC will mainly make this type of investment.
- Loans – The Department for Communities and Local Government maintains that borrowing of monies purely to invest or to lend and made a return, is unlawful. GPC will not engage in such activity. (GPC has made some short-term interest free loans to local organisations for specific purposes benefitting the local community.)
- Non-specified investments – investments which do not meet the Specified Investment criteria and are not Loans e.g. investments over twelve months, stocks and shares. They are potentially riskier but may offer higher yields. GPC will not invest directly in the money market, stocks or shares. GPC will only make non-specified investments in sterling, with a 'high quality' body or scheme or with the UK Government. GPC will only make investments over one year if we are satisfied that enough funds remain available for expenditure when needed.

Non-financial investments

- GPC owns land and buildings all but one of which are regularly used for provide services to the community (eg playgrounds, sports fields, burial grounds, sports pavilions etc). These are not held for



investment and there is no plan to sell any. (It is planned to sell the former GPC office (the Old Jubilee Fire Station) to the Medical Practice but it has not been held as an investment.)

2.2. Liquidity

We aim to ensure liquidity by tasking the Finance Committee with ensuring that funds invested are available for expenditure when needed by carrying out an annual cash flow forecast, normally before the start of the financial year, to determine the maximum period that funds may prudently be committed.

We aim to ensure instant access to at least £20,000 at the start of each month, unless a more detailed forecast has been accepted by the Finance Committee.

Any funds available from our General Reserve will be invested in deposits requiring no more than three months' notice to allow quick access in case of emergency.

It should be possible to invest part of the Earmarked and Community Infrastructure Levy (CIL) reserves for a longer term if the Finance Committee is satisfied that the funds will not be needed before the investment matures. The Investment Strategy should be reviewed as GPC's plans for spending CIL funds are agreed to ensure that funds are available when required.

GPC will only make investments over one year if we are satisfied that enough funds remain available for expenditure when needed.

2.3. Yield (return)

Subject to suitable Security and Liquidity GPC will prefer investments with a higher yield, also taking into account the convenience of operating any related account.

3. Approval

This document was approved for use at the meeting of the Parish Council on 8 April 2024, it shall be reviewed annually.

Chair

Signed:

Dated: 8 April 2024



Investment Strategy (FY 2024-2025)

1. Introduction

The Goring-on-Thames Parish Council (GPC) Investment Strategy derives from our Investment Policy 2024 which should be read in conjunction with this strategy.

2. Current position – April 2024

GPC's current account is with TSB Bank plc which has an associated deposit account. All GPC's funds were with TSB during FY 2023-4.

In FY 2024-5 GPC opened an account with Unity Trust Bank and £185,000 has been deposited.

| Institution | Product | Sum invested | as of | Notice (days) | Yield | Fixed / Variable | FSCS | Credit rating |
|--------------------|----------------|-------------------------------------|--------------|----------------------|--------------|-------------------------|-------------|----------------------|
| TSB Bank PLC | Deposit | £157,219 | 23/4/2024 | none | 1.49% | V | Y | |
| Unity Trust Bank | Instant Access | £185,000 | 23/4/2024 | none | 2.77% | V | Y | |
| Total | | £342,219 | | | | | | |
| | | | | | | | | |
| TSB Bank PLC | Current | £162,188 (includes ½ of precept) | 23/4/2024 | none | 0% | F | Y | |

Review of existing investment performance:

The TSB deposit account has been paying 1.49%

The Unity Trust Bank 2.77% interest rate is near twice that in the TSB deposit account.

Higher rates are available.

Economic Climate

Interest rates are relatively high. There continues to be speculation about interest rates dropping soon.



3. Temporary Surplus Funds Available 2024-5

| Source | Amount | Maximum investment term | Comments |
|---|---|---|--|
| Unallocated sink reserve (435) | £35,235 | £35,235: 12 months | To be allocated to large projects as they are ready to be implemented |
| CIL Reserve (unallocated funds only) (345) | £54,819 (includes £13,920.87 received 30 April) - further funds due in 2024/25) | £49,765: 12 months £ 5,054: 3 months | Assuming no major spend anticipated necessary within 12 months |
| Ear Marked Reserves (16 items excluding 320, 345, 435) | £222,857 | £170,000: 6 months £ 38,099: 3 months £ 14,758: instant | Some Earmarked Reserves may be spent on projects within 3 months or sooner. |
| Operating Reserve (320) | £71,464 | £41,847: 3 months £29,617: instant access | ~25% of £167,390 precept would cover a typical expenditure over three months. ~£30k accessible in case of unbudgeted emergency asset repairs / replacements. |
| Total | £384,375 | | |

Note the exact numbers above are chosen to allow most accounts to contain the full FSCS protected £85,000. The precision is due to that alone – it is not the accuracy to which one can estimate the exact funds that should be available for each period which is lower.

Summary

| Term | Amount to be invested |
|-----------------|--|
| Instant | £ 44,375 (1 account in addition to existing TSB) |
| 3 months | £ 85,000 (1 account) |
| 6 months | £170,000 (2 accounts) |
| 1 year | £ 85,000 (1 account) |



4. Investment Options

Potential Investments open to Parish Councils and where at least 2 signatories can be required for a withdrawal, or withdrawals can only be to GPC's nominated current account, include:

| Institution | Product | Min Deposit | Term | Access Notice | Yield | Fix / Vbl | FSCS | Credit rating Moody's | Credit rating S & P | Company Band |
|----------------------------|---------------------------|-------------|----------------------------|---------------|-------|-----------|------|-----------------------|---------------------|--------------|
| | Instant | | | | | | | | | |
| TSB | Deposit (link to current) | - | none | Instant | 1.49% | V | Y | Baa3 Stable | n/a | |
| Unity Trust Bank | Instant access savings | £1,000 | none | Instant | 2.77% | V | Y | n/a | n/a | IG |
| Cambridge Building Society | Council saver | £1,000 | Limit 2 withdrawals /month | instant | 2.9% | V | Y | n/a | n/a | HY |
| | 1-month | | | | | | | | | |
| Lloyds | 32 day notice account | - | - | 32 days | 2.53% | V | Y | A3 Stable | BBB+ Stable | |
| Unity Trust Bank | 30 day Fixed term deposit | £85,000 | 30-day | No access | 2.96% | V | Y | n/a | n/a | IG |
| Redwood Bank | 35 day Business savings | £10,000 | - | 35-days | 3.75% | V | Y | n/a | n/a | n/a |
| | 3-months | | | | | | | | | |
| Lloyds | Fixed term deposit | £10,000 | 3-months | No access | 2.02% | Fix | Y | A3 Stable | BBB+ Stable | |
| Unity Trust Bank | 90 day Fixed term deposit | £85,000 | 90-day | No access | 3.06% | V | Y | n/a | n/a | IG |
| Lloyds | 95 day notice account | - | - | 95 days | 4.00% | V | Y | A3 Stable | BBB+ Stable | |
| Redwood Bank | 95 day Business savings | £10,000 | - | 95-days | 4.55% | V | Y | | | |
| | 6-months | | | | | | | | | |



| | | | | | | | | | | |
|----------------------|---------------------------------------|---------|-----------|-----------|-------|-----|-----|-------------|-------------|-----|
| Lloyds | Term deposit with fixed maturity date | £10,000 | 09/10/24 | No access | 3.50% | Fix | Y | A3 Stable | BBB+ Stable | |
| Lloyds | Fixed term deposit | £10,000 | 6-months | No access | 3.50% | Fix | Y | A3 Stable | BBB+ Stable | |
| Unity Trust Bank | 6 month Fixed term deposit | £85,000 | 6-month | No access | 4.25% | V | Y | n/a | n/a | IG |
| | 9-months | | | | | | | | | |
| Lloyds | Fixed term deposit | £10,000 | 9-months | No access | 3.55% | Fix | Y | A3 Stable | BBB+ Stable | |
| | 12-months | | | | | | | | | |
| Lloyds | Fixed term deposit | £10,000 | 12-months | No access | 3.60% | Fix | Y | A3 Stable | BBB+ Stable | |
| Metro Bank | 1 year fixed term savings | - | 1 year | No access | 3.9% | V | Y | TBD | TBD | |
| TSB | 12-month | - | 12-month | No access | 4.50% | Fix | Y | Baa3 Stable | n/a | |
| Redwood Bank | 1 year Business savings bond | £10,000 | 1 year | No access | 4.65% | V | Y | n/a | n/a | n/a |
| Unity Trust Bank | 12 month Fixed term deposit | £85,000 | 12-month | No access | 4.85% | V | Y | n/a | n/a | IG |
| | Other | | | | | | | | | |
| CCLA* | Public Sector deposit Fund | - | none | instant | 5.34% | V | No | TBD | TBD | |
| Hampshire Trust bank | None on offer | | | | | | Y | n/a | | |
| BlackRock | Deemed not secure enough | | | | | | TBD | TBD | TBD | |

* The Public Sector Deposit Fund Invests in a diversified portfolio of high quality sterling denominated deposits and instruments



5. Proposal 2024/25

Spread investments across five providers (in addition to the current account provider TSB) to reduce the risk of financial institution failure whilst making best use of surplus funds. We would have no more than £85k in any account that is not with a strong financial institution.

It will take time to identify all the suitable accounts and open them so the strategy will not be implemented in one go. Whilst the changes are ongoing we will still have more than £85k in some accounts but will nevertheless be more secure than if all our funds were held in one institution, as was the case before the current FY.

TSB Ltd – GPC should continue to invest as its linkage with our current account makes it a convenient product.

Unity Trust Bank – GPC should continue to invest as it remains one of the best returns currently available with notice of one year or less. The £185,000 current investment is more than twice the FSCS limit and should be reduced.

Additional investments – these should seek a balance of security, liquidity, and yield (in that order of importance).

Investment Plan Recommended for 2024/25:

- 1-year account: Transfer £85,000 from Unity Trust instant access (2.77%) to a Unity Trust 12-month Fixed term deposit account (4.85%). Balance in Unity instant access will be £100,000.
- 3-month account: Transfer £85,000 from the remaining £100,000 in the Unity instant access account to a Redwood Bank 95-day business savings account (4.55%). Balance in Unity instant access will be £15,000.
- 6-month account 1 of 2: Transfer the remaining £15,000 from the Unity instant access account to a 6-month account with Lloyds (3.5%). Balance in Unity instant access will be £0.
- 6-month account 1 of 2: Transfer £70,000 from the TSB deposit account to top up the 6-month account with Lloyds (3.5%) to £85,000.
- Instant access account (not TSB): Transfer £44,375 from TSB to Cambridge Building Society Council saver (2.9%)
- 6-month account 2 of 2: Identify an account to receive a transfer £85,000 to from TSB.
- TSB current and deposit accounts to continue, with at least £28k (~1/6 of precept) to be maintained in the 0% current account and the balance kept in the 1.49% reserve account.
- Once these moves have been implemented review the interest rates, identify further suitable accounts and make further proposals to Council.



Liquidity breakdown after suggested investments:

- ~£160k TSB 0% instant access & TSB 1.49% current
- £ 44k instant access (£44k Cambridge 2.9%)
- £ 85k 3 month notice (£85k Redwood 4.55%)
- £170k 6 month notice (£85k Lloyds 3.5%, £85k new provider TBD)
- £ 85k 1 year notice (£85k Unity 4.85%)

6. Review

All investments should be reviewed if there is a significant change in interest rates, perceived risk of financial institution failure or economic climate.

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

The Finance Committee will review this Investment Strategy quarterly and if a material change is planned during the year. Any changes proposed will be reviewed and approved by Council.

The Council reserves the right to make variations to the Strategy at any time, subject to the approval of the Finance Committee.

In accordance with the Freedom of Information Act 2000, this Document will be posted on the Council's website.

7. Approval

This document was approved for use at the meeting of the Parish Council on 13 May 2024, it shall be updated annually for the start of each new FY.

Signed:

Chair

Dated: 13 May 2024