

# GREAT LINFORD PARISH COUNCIL

## Treasury & Investment Policy

**First adopted March 2016**

GLPC Doc Control:

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**Approved by:**

**Date:**

### Document History:

Version	Description of Changes	Date Effective
March 2017	1.5 Amend wording relating to financial compensation scheme	May 2017
March 2017	4.2 Include consideration of risk assessments to cater for other investments	May 2017
March 2018	Item added to include the arrangements for S106 5.3 Where required by the Local Authority a separate bank account may be required to manage the S106 transactions.	May 2018
March 2019	4.7 and 4.8 have been enhanced to define how investment performance is reported to council and when council decisions are required if performance of the investment changes	

**GREAT LINFORD PARISH COUNCIL**  
**Treasury & Investment Policy**  
**Adopted March 2016**

## 1. Policy Background

- 1.1. Great Linford Parish Council's treasury and investment policy and its associated strategy are conducted in accordance with:
  - 1.1.1. The Local Government Act 2003 (the Act) and supporting regulations.
  - 1.1.2. The Governance and Accountability in England and Wales A practitioners Guide. This requires the Council to prepare an Annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
  - 1.1.3. Guidance on Local Government Investments issued under section 15(1)(a) of the Local Government Act 2003 and being effective from 1 April 2010.
- 1.2. The legislation and associated guidance is optional for parish councils where investments are not expected to exceed £500,000 and no action is required below £10,000. Where the investment exceeds £500,000, the guidance is mandatory. Safety of the principal should be the foremost objective of any investment policy. Investments should be undertaken in a manner that seeks to ensure the preservation of capital. The goal should be to mitigate credit risk and interest rate risk.
- 1.3. This policy is drafted having full regard to the guidance.
- 1.4. The parish council usually hold investments in the form of easily accessible bank deposits or other short-term savings accounts for example accounts which do not require more than 90 days' notice to access the funds. These are used to maximise income from cash balances during the financial year.
- 1.5. Financial Services Compensation scheme was amended to include Parish Councils with an income or expenditure up to 500,000 (Euros), approx.. = £431,597 as March 2017. Above this value, holding finances in one account needs to be reconsidered.

## 2. Definition

- 2.1. Investments – these are all investments of more than 12 months in duration
- 2.2. Treasury – all cash deposits held in bank accounts which includes bonds of up to 12 months in duration.

## 3. Policy Objectives

- 3.1. The overriding policy objectives are
  - 3.1.1. To invest prudently to ensure the security of the principle sums
  - 3.1.2. To maintain liquidity in the portfolio to meet the councils spending plans
  - 3.1.3. To mitigate risk
  - 3.1.4. To seek the optimum returns available whilst remaining consistent with the proposed levels of security and liquidity

## 4. Investments policy

4.1. The guidance defines a prudent investment policy as having two objectives: achieving first of all **security** (protecting the capital sum from loss) and then **liquidity** (keeping the money readily available for expenditure when needed). Once proper levels of security and liquidity are determined, it will then be reasonable to consider what **yield** can be obtained consistent with those priorities. This widely-recognised investment policy is sometimes more informally and memorably expressed as follows: **Security - Liquidity - Yield ...in that order!**

### 4.1.1. Security

Investments should only be made within a bank or building society which are safeguarded for individual savers by the Financial Services Compensation Scheme (FSCS) although it should be understood that corporate accounts, including those of parish councils, are not safeguarded by this scheme. The total invested with any such financial institution or group of non-independent institutions should not exceed £100,000.

### 4.1.2. Liquidity

Any proposed investment(s) should only follow the approval by Council of an appropriate cash flow analysis covering the period of the proposed investment(s). Cash projected to be available from the council's current account should be judged as adequate to cover the council's current debts during the period of the investment(s).

### 4.1.3. Yield

Cash should be invested in the account or accounts which satisfy the security and liquidity requirements described above and which maximise the yield available.

4.2. Investments will not normally be made in stocks and shares, however risk assessments should be considered for other elements.

4.3. Long term investments that are greater than 12 months should be considered against the criteria outlined above and in the guidance notes. Procedures for monitoring assessing and mitigating the risk of loss of invested sums should be agreed and form part of the risk assessment.

4.4. Investments will only be considered with United Kingdom AAA institutions. Reference to the investment actions of other public bodies' should be reviewed. This information will be within the public domain Investments will only be considered with AAA rated funds.

4.5. Investment of money borrowed in advance of need. It is recognised that the speculative procedure of borrowing purely to invest at a profit is unlawful but there appears to be no legal obstacle to the temporary investment of funds borrowed for the purpose of expenditure in the reasonably near future. Any such funds temporarily invested should be clearly identified as such in the Council's accounts.

4.6. Consistency with Financial Regulations. All loans and investments must comply with the relevant sections of the Parish Councils Financial Regulations concerning Loans and Investments.

4.7. Council's approval of the investments previously made will be annual and confirmed at the Annual Parish Council meeting.

- 4.8. Monitoring all investments will be reported to Council within the monthly financial report, showing the performance of investments at the relevant time and significant decrease in the financial performance will be highlighted to Council as a separate agenda item for their deliberation. Significant decrease is a fall of 5% below the capital amount.

## 5. Treasury Policy

- 5.1. Great Linford Parish Council will hold its working funds as cash deposits in bank accounts and bonds. It is advisable that these cash deposits are spread over 2 or 3 banks. It will be advisable for no more than 50% of the council's cash deposits to be held with one institution.
- 5.2. Income and payments will be made from one bank account. Sufficient funds for the day to day transactions will be held within this bank account.
- 5.3. Where required by the Local Authority a separate bank account may be required to manage the S106 transactions.
- 5.4. Cash balance will be reported to the full council on a monthly basis in the Finance Report
- 5.5. Great Linford Parish Council will consider depositing funds with institutions with a minimum A grade credit rating before considering any other institution assessed by a least 2 independent ratings agencies. If the rating of the council's bank which provides its current banking facilities is reduced by the rating agencies, then the council will re-assess its position within a period of six months..
- 5.6. Full Council approval is required when a deposit with a new institution is required. The RFO will have delegated authority to deposit funds with any of the councils existing bankers provided these transactions are reported to council as part of the monthly Financial Report.
- 5.7. 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.

## 6. Approval

- 6.1. The investment strategy should be approved by the Full Council and reviewed annually.

## Appendix 1

### Options as reviewed in 2015 Feb 2015 / March 2015

GLPC reviewed the banking and investment arrangements that it faced in 2014/15, it was agreed that deposits for every day transactions should be spread over different institutes and that reserves for future capital projects and investment to providing services in the parish should be considered.

After research the following is proposed

1. Open a CCLA deposit account - earmarked reserves could be held here and would earn a small interest (as opposed to no interest with Barclays).
2. Open a CCLA property account – prudential reserves could be placed in this account for 5 years plus as in this time it is unlikely the parish will become unfit for purpose. In the case of both of these accounts the protection for the local authority lies in the fact that sums can be transferred out of these accounts only to the nominated current account of the council.
3. Open a Unity Trust bank account - this will become the everyday banking account. Using the more appropriate controls offered by this type of account, the council can move confidently to the payment of most of its invoices by direct (BACS) transfer thereby reducing to a minimum the extent to which the high street branch services of their partner banks would be used.
4. Maintain Barclay's bank account for payments into unity bank. It is expected, however, that this would be a temporary measure until the new processes are bedded in and providing the council with the service it requires.

#### Benefits

This allows GLPC to spread the financial risk over several organisations.

The CCLA property account provides the parish council with a method of earning interest on its earmarked reserves i.e. those reserves not likely to be used for 5 years.

The Unity bank is a branch-less bank but is set up to reflect the governance required of a parish council and therefore the requirements for vetting Councillors who are signatories is made simple and agreed via credit referencing – this is also true for CCLA.

The process for payments can be done online in such a way that the authorisation of transactions can be set up via differing authority levels.

E.g. an admin assistant can set the payments up, the RFO can check and authorise, and a Cllr can set them for payment. This process offers the opportunity for paying a greater proportion of payments via BACS and of simplifying the internal processes for BACS payments.

The financial risk assessment was completed and the proposal to open a Unity Bank Account and invest within the CCLA property fund was agreed. It was also agreed to use the CCLA deposit fund but this was deferred.

<b>RISK</b>	<b>LEVEL</b>	<b>CONTROLS</b>
<p><b>SECURITY</b></p> <ul style="list-style-type: none"> <li>- Financial exposure</li> <li>- Risk of fraud</li> <li>- Thorough decision making process</li> </ul>	<b>H</b>	<ul style="list-style-type: none"> <li>• Investments only as per the Annual Investment Strategy</li> <li>• Maximum of £150,000 or 50% of the annual precept value to be invested with any one institution or group of non-independent institutions. (date agreed)</li> <li>• All investments to be made in accordance with the Council's Financial Regulations</li> <li>• External internet transfer of funds to be reported monthly</li> <li>• Review of Annual Investment Strategy to be considered by Council each year</li> </ul>
<p><b>LIQUIDITY</b></p> <ul style="list-style-type: none"> <li>- Adequate remaining funds to cover current debts during period of investment</li> </ul>	<b>M</b>	<ul style="list-style-type: none"> <li>• Investments only to be made subject to an approved Cash Flow forecast for the proposed period of the Investment</li> <li>• Cash Flow forecast to be prepared by the RFO and reviewed by the Lead Cllr Finance and approved by the Council</li> <li>• Suitable break clause in any agreement that will allow return of any funds if required.</li> </ul>
<p><b>YIELD</b></p> <ul style="list-style-type: none"> <li>- Maximum yield to be sought only after security and liquidity assured</li> <li>- In accordance with Financial Regulations</li> </ul>	<b>M</b>	<ul style="list-style-type: none"> <li>• At least three proposals to be put to Council for comparison if available</li> <li>• The Council is not obliged to accept recommendations relating to potential yield</li> <li>• Report to Council to identify possible issues with any institution</li> </ul>
<p><b>RECORD KEEPING</b></p> <ul style="list-style-type: none"> <li>- Availability of records</li> </ul>	<b>H</b>	<ul style="list-style-type: none"> <li>• All records of Investments to be retained for a minimum of 20 years.</li> <li>• All records to be available to any member at any time</li> <li>• Investment register kept</li> </ul>
<p><b>REPORTING</b></p> <ul style="list-style-type: none"> <li>- Members of Council adequately informed as to investments</li> </ul>	<b>M</b>	<ul style="list-style-type: none"> <li>• Council to be informed when and with whom any investment is made and to be notified when funds returned to the Council's accounts</li> </ul>
<p><b>ACCOUNTING AND AUDIT</b></p> <ul style="list-style-type: none"> <li>- Availability of records</li> <li>- Availability of guidance</li> </ul>	<b>M</b>	<ul style="list-style-type: none"> <li>• Records made available to Internal and External Auditor</li> <li>• 2010 Guidance kept with Practitioner's Guide</li> </ul>

## Appendix a – Procedures

### 1. Procedure for Deposits

- a. RFO/PM to identify an appropriate deposit account or short-term bond with a financial institution that fits with the council's treasury policy. Any bonds should be capital sum guaranteed.
- b. Approval of full council is sought if the deposit is with a financial institution not currently used by the council.
- c. The RFO/PM actions the opening of the account and the setting up of the bank mandate for council members to sign in accordance with the financial regulations
- d. The RFO/PM actions the deposit/transfer of funds
- e. The transfer/deposit is reported to the council
- f. At the end of the fixed term the RFO/PM has delegated authority to move the funds into another bond with the same financial institution or with another of the council's bankers.

### 2. Procedure for Bank Transfers

- a. Delegated authority is given to the RFO/PM to make transfers between the accounts of the same bank without prior approval of the council.
- b. Transfers between banks will follow normal payment procedure as detailed in the financial regulations
- c. Details of all transfers to be provided to the council with the monthly finance report.

### 3. Procedure for Investment

At budget time (October November) the requirement to invest monies for identified projects or long term activities needs to be confirmed.

A working party will review the options with the RFO / PM

A paper explaining the options in terms of security Liquidity and yield will be presented to Full Council

The RFO/PM will have delegated powers to carry out the investments agreed by council.

Monitoring of the investment must occur quarterly if not more frequently as part of the Finance Report