PAULTON PARISH COUNCIL
INVESTMENT AND BORROWING POLICY

1. Overview

Paulton Parish Council acknowledges the importance of prudently investing its temporarily held surplus funds on behalf of the community.

This document sets out the policy for Paulton Parish Council in accordance with requirements set out in DCLG Guidance on Local Government Investments, the CIPFA Code of Practice on Treasury Management in Public Services, and the Local Government Act 2003. The Local Government Act 2003 states that a local authority may invest:

- For any purpose relevant to its functions under any enactment
- For the purpose of prudent management of its financial affairs

The Council is committed to:

- Maintaining the security of its cash balances whilst retaining sufficient liquidity to meet its revenue spending plans;

- That any Capital expenditure plans are affordable;

- Any external borrowing and other long-term liabilities are within prudent and sustainable levels and;

- Decisions are taken in accordance with good professional practice.

2. Investment Objectives

The general policy objective for the Council is prudent investment of balances. The Councils investment priorities are in line with the widely recognised investment policy expressed as SLY – Security, Liquidity and Yield:

- The security of its reserves;
- The liquidity of its investments and;
- The return on investment

The Council will aim to achieve the optimum return on its investments commensurate with proper levels of risk management and the security and liquidity of its cash balances.

Any investments made will be made in sterling.

Specified Investments

Specified Investments are those offering high security and high liquidity, made in sterling, with a maturity of no more than 1 year. Any short-term investments which may be made with the UK Government or another Local Authority, Town or Parish Council are automatically classified as Specified Investments under the 2003 Local Government Act.

Paulton Parish Council is committed to the prudent management of its treasury balances which will mean maintaining sufficient levels of security and liquidity.

Deposits have been made with the following UK High Street Banks and Building Societies:

Nationwide Building Society
Nat West Bank
Cambridge and Counties Bank

Non-Specified Investments

These investments have greater potential risk – examples include investment in currencies, commodities and stocks and shares. Given the unpredictability and uncertainties surrounding such investments, Paulton Parish Council **will not use** this type of investment.

Liquidity of Investments

The Responsible Finance Officer (RFO) will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity and will seek approval of the full Council to the re-investment of funds upon maturity.

Long Term Investments

Long term investments are defined in the DCLG Guidance as greater than 1 year in duration.

3. Reporting on Investment Performance

Investment forecasts for the coming financial year will be accounted for when the annual budget is prepared by the RFO. At the end of the financial year, the RFO will produce a summary report on the balances to full Council.

4. External Borrowing Strategies

Introduction

The Council acknowledges that there may be times when it needs to seek borrowing approval to support its capital expenditure priorities.

The Parish Council will only agree borrowing for specific capital projects (as defined in

Section 16 of the Local Government Act 2003, It will need to gain approval for borrowing by sending an application to the National Association of Local Councils (NALC). All such borrowing applications must be approved by the full Parish Council.

Principles

Before a Council can borrow a sum of money, it must first receive an approval to borrow (loan sanction) from the Debt Management Office of the Department for Communities and Local Government (DCLG), unless it is for a temporary loan or overdraft from a bank or otherwise of sums which the council may temporarily require to meet revenue expenditure pending the receipt of income in the short term.

The process to be followed and the criteria applied in deciding whether or not borrowing approval is likely to be forthcoming, are detailed in the Guide to Parish and Town Council Borrowing in England, jointly published by the DCLG and NALC.

The 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.

Interest Rates

The Council will research the best possible terms when investigating borrowing but usually this will be the Public Works Loan Board. (PWLB). The fixed term rates offered by the PWLB usually provide best value and borrowing from the PWLB normally provides the best way forward for the stability of financial planning for the Council.

Period of Loan

The Council will determine the period of the loan which should not exceed the period for which the expenditure is forecast to provide benefit to the Council that is the useful life of the asset.

The Department for Communities and Local Government (DCLG) maintains that borrowing of monies purely to invest or to on lend and made a return, is unlawful and this Council **will not engage** in any such activity.

The maximum period will begin on the date on which the money is borrowed, and will be;

- 50 years for acquisition of, or work on or to, land, buildings, roads or structures

or

- 10 years in all other cases.

5. Protection

The total of current deposits with each counterparty will be limited to £85K to afford the protection under the Bank of England's **Financial Services Compensation Scheme** (FSCS) that protects cash investments up to **£85,000** per depositor per **UK Deposit Taking Licence.** All UK authorised banks and building societies have a Deposit Taking licence. So, in order to be fully protected, an organisation should have no more than £85,000 on deposit with anyone banking license.

To reduce risks funds must be across multiple holdings that spread the risk, thereby holding some of the cash away from banks.

Approved at the Parish Council meeting held on 18th August 2020