

## TIDENHAM PARISH COUNCIL

### INVESTMENT STRATEGY AND FINANCIAL RISK ASSESSMENT

1. INVESTMENT STRATEGY
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#### 1. INVESTMENT STRATEGY

##### Background

##### Guidance

The Council's Investment Strategy has been drafted taking full account of the Guidance on Local Government Investments issued under section 15(1)(a) of the Local Government Act 2003 and being effective from 1 April 2010.

Where the Parish Council expects its investments at any time during a financial year to exceed £10,000 but not £85,000 it should decide on the extent, if any, to which it would be reasonable to have regard to the guidance in relation to that year.

This policy is drafted having full regard to the guidance.

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*

##### Security

Investments should only be made within a bank or building society which is safeguarded by the Financial Services Compensation Scheme (FSCS). From 1<sup>st</sup> January 2016 Parish Council accounts are included in this scheme and from 30 January 2017 to a maximum investment level of £85,000 in any one financial institution. £85,000 should be the maximum amount invested in any such account.

##### 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 commitments during the period of the investment(s).

##### 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. For purposes of comparison the Council should be provided with details of at least three appropriate accounts which offer the highest yields within the investment period.

### **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.

### **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.

### **Consistency with Financial Regulations**

All loans and investments must comply with Section 8 of the Parish Council's Financial Regulations concerning Loans and Investments.

### **Approval**

The investment strategy should be approved by the full Council and reviewed annually.

### **Monitoring**

Compliance with this strategy should be included within the accounting and audit requirements of Section 4 and 16 of the Parish Council's Financial Regulations.

### **Options**

Investment opportunities for Local Authorities are becoming increasingly rare with a large number of financial institutions no longer taking deposits from them.

At the end of the 2015 – 2016 Financial Year it is estimated that Tidenham Parish Council will have approximately £84,000 in its reserves.

50% of the Precept of £88,789 (£44,395) and Council Tax Support Grant of £4370 will be paid into the Council's current account by 30<sup>th</sup> April 2016.

This will mean that the Council will have approximately £132,700 in the following accounts:

- Lloyds Current Account – approx. £75,500 - This does not pay interest and is used as the main account for the Council's payments.
- Lloyds Business Bank Instant Account – approx. £57,200 - Pays 0.05% interest with immediate access to funds. This account has operated at this level for several years and receives approx. £2.50 interest per month.

Having given the matter due consideration the Finance and Probity Committee recommends that £40,000 be invested in Monmouthshire Building Society

Currently, the remainder will remain in the Council's current account at Lloyds Bank

The Finance and Probity Committee also considered accounts with Lloyds Bank, Nationwide Building Society and Public Sector Deposit Fund all of which were deemed less suitable across all criteria.

## **Recommendations**

Having carefully considered the above options the Finance and Probity Committee recommends that the Council changes the way it invests its money in 2016 – 2017 and that the amount invested with any one institution should not exceed £75,000. The amount held in the Lloyds current account is likely to exceed this amount during the year. The Monmouthshire Building Society account should be used to deposit funds exceeding £75,000 in the Lloyds account.

## **Decisions Required**

1. That the Council approves the attached Cash Flow Forecast for 2016 – 2017
2. That the Council approves the payment of £40,000 into a new investment account with Monmouthshire Building Society
3. That the Council accepts the Finance and Probity Committee's recommendation to adopt the Investment Strategy
4. That the Council approves the Financial Risk Assessment relating to investments as detailed below.

**Adopted by full Council, along with Financial Risk Assessment 16 March 2016  
Minute 2015/2016 page 26 item 10 (d)**

## **NOTES FOR REVIEW MARCH 2017**

At the end of the 2016 – 2017 Financial Year it is estimated that Tidenham Parish Council will have approximately £97,000 in its reserves.

50% of the Precept of £92,025 (£46,012.50) will be paid into the Council's current account by 30<sup>th</sup> April 2017.

This will mean that the Council will have approximately £143,000 in the following accounts:

- Lloyds Current Account – approx. £86,000 (less any payments made in April) - This does not pay interest and is used as the main account for the Council's payments.
- Monmouthshire Building Society £57,217 (plus annual interest to be added 31 March 2017) - This account was opened June 2016. The interest rate from 1<sup>st</sup> March 2017 is 0.2% - reduced from 1.05% when the account was opened.

**Re-adopted by full Council, along with Financial Risk Assessment 15<sup>th</sup> March 2017  
Minute 2016/2017 page 28 item 14**

## **NOTES FOR REVIEW APRIL 2018**

At the end of the 2017 – 2018 Financial Year Tidenham Parish Council has a balance of £119186.01 in its accounts:

- Lloyds Current Account - £48476.15 – This account does not pay interest and is used as the main account for the Council's payments.

- Monmouthshire Building Society £70709.86 – current interest rate 0.2%

50% of the precept of £94606 (£47303) will be paid into the Lloyds Account by 30<sup>th</sup> April 2018

In view of the increase in protection level from January 2017 under the Financial Services Compensation Scheme the maximum amount recommended to be invested in each Institution under paragraph 'Recommendations' above should be increased to £85,000.

**Re-adopted by full Council, along with Financial Risk Assessment 18<sup>th</sup> April 2018  
Minute 2017/2018 page 27 item 14**

### **NOTES FOR REVIEW APRIL 2019**

At the end of the 2018 – 2019 Financial Year Tidenham Parish Council has a balance of £127,120.10 in its accounts:

- Lloyds Current Account - £43139.70 – This account does not pay interest and is used as the main account for the Council's payments.
- Monmouthshire Building Society £83980.40 – current interest rate 0.2%

50% of the precept of £94768 (£47384) will be paid into the Lloyds Account by 30<sup>th</sup> April 2018

In view of the increase in protection level from January 2017 under the Financial Services Compensation Scheme the maximum amount recommended to be invested in each Institution under paragraph 'Recommendations' above should be increased to £85,000.

**Re-adopted by full Council, along with Financial Risk Assessment 17<sup>th</sup> April 2019  
Minute 2018/2019 page 31 item 12**

### **NOTES FOR REVIEW MAY 2021**

At the end of the 2020 – 2021 Financial Year Tidenham Parish Council has a balance of £117,994.85 in its accounts:

- Lloyds Current Account - £ 33256.93 – this account does not pay interest and is used as the main account for the Council's payments.
- Monmouthshire Building Society - £ 84737.92 – current interest rate 0.45%. The interest payment due on this account at the end of March 2022 is likely to take the balance above the level of £85,000, the amount safeguarded under Financial Services Compensation Scheme and this should be reviewed during 2021/22 financial year.

50% of the 2021/22 precept of £99,964 (£49,982) was received in the Lloyds Account in April 2021.

**Re-adopted by full Council, along with Financial Risk Assessment 5<sup>th</sup> May 2021  
Minute 2021/2022 page 2 item 10.**

## 2. FINANCIAL RISK ASSESSMENT

### INVESTMENTS

<b>RISK</b>	<b>Probability H/M/L</b>	<b>Impact H/M/L</b>	<b>Risk Rating H/M/L</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>L</b>	<b>H</b>	<b>M</b>	<ul style="list-style-type: none"> <li>• Investments only as per the Annual Investment Strategy</li> <li>• Maximum of £85,000 to be invested with any one institution or group of non-independent institutions.</li> <li>• All investments to be made in accordance with the Council's Financial Regulations</li> <li>• External internet transfer of funds to be overseen by at least two members of the Council (Bank Controls permitting) and will require original paperwork</li> <li>• Any cheque to be subject to the same controls as in the Financial Regulations and will require original paperwork</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>L</b>	<b>M</b>	<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 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>L</b>	<b>L</b>	<b>L</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>

<b>RECORD KEEPING</b> - Availability of records	<b>L</b>	<b>M</b>	<b>L</b>	<ul style="list-style-type: none"> <li>All records of Investments to be retained for a minimum of 10 years.</li> <li>All records to be available to any member at any time</li> </ul>
<b>REPORTING</b> - Members of Council adequately informed as to investments	<b>L</b>	<b>M</b>	<b>L</b>	<ul style="list-style-type: none"> <li>Council to be informed when and with who any investment is made and to be notified when funds returned to the Council's accounts</li> </ul>
<b>ACCOUNTING AND AUDIT</b> - Availability of records - Availability of guidance	<b>L</b>	<b>L</b>	<b>L</b>	<ul style="list-style-type: none"> <li>Records made available to Internal and External Auditor</li> <li>2010 Guidance kept with Investment Strategy</li> </ul>