

Feckenham Parish Council

Investment Policy

1. Introduction

This policy has been prepared in line with the statutory guidance on local government investments issued under section 15(1)(a) of the Local Government Act 2003. It applies to parish councils whose total investments exceed, or are expected to exceed, £100,000 at any point during the financial year. Parish councils with investments between £10,000 and £100,000 are encouraged to follow the principles of the guidance. This policy should be read alongside the Council's Financial Regulations. For each financial year, the Council will decide the type, purpose and extent of any investment, the total sums available for investment, the maximum investment periods, and the level of risk it is willing to accept.

2. Objectives

1. Security of reserves
2. Liquidity of investments
3. Yield, where this is consistent with security and liquidity.

All investments will be made in sterling. The Council's investment priorities are the security of reserves, the liquidity of investments, and yield only where consistent with security and liquidity. The Council will not borrow money purely for the purpose of investment.

3. Context

The Council's annual precept is approximately £66,000 and the parish population is approximately 680. The Council does not own or lease any land or property. Earmarked reserves are held for flood, and drainage works, the children's play area, and potential future governance changes.

4. Definitions

A specified investment is one that is held in sterling, repayable within 12 months, not treated as capital expenditure, and made with a body or scheme of high credit quality. Under this policy, the Council will use only specified investments placed with UK banks or building societies that are registered with the Financial Services Compensation Scheme.

Non-specified investments are those that do not meet the definition of a specified investment and carry a greater level of risk. The Council does not make non-specified investments.

For the purposes of this policy, the Council's non-financial assets are not treated as investments because they are held for community or operational purposes and not to generate a financial return.

5. General Policy

The Council will take a prudent and cautious approach to investment. All investments made by the Council will be specified investments.

6. Approved Investments

Approved investments are limited to sterling deposits with UK banks or building societies that are registered with the Financial Services Compensation Scheme, including instant access, notice and fixed-term deposit accounts. No single investment will have a term of more than 12 months. The Council will not invest with any bank or building society that is not FSCS registered, and it will not invest in shares or other high-risk or speculative investments.

The Council's day-to-day banking is currently with Lloyds Bank. The Council holds both a current account and a savings account, with funds protected within the applicable FSCS limits. The Council has held reserves of up to £20,000 for flood and drainage works delayed from 2024/25. Because of changes to grant availability through the Environment Agency, the Parish Council may need to contribute up to £35,000 during the 2026/27 financial year. The Council has also been advised to build reserves in preparation for potential future responsibilities arising from local government reorganisation, which may include recreation grounds, street lighting, and the children's playground.

7. Approved Institutions

Investments may be placed only with UK banks or building societies that are registered with the Financial Services Compensation Scheme. The Council will not invest with any bank or building society that is not FSCS registered.

8. Liquidity

Funds must remain readily accessible so that the Council can meet day-to-day spending and any unexpected or emergency costs.

9. Diversification

Where practical and proportionate, the Council will spread funds across more than one approved institution to reduce risk and maintain FSCS protection.

10. Management

The Responsible Financial Officer will manage the Council's investments and report to Full Council as required. Full Council must approve all investment decisions.

11. Internal Control

All investment activity will be carried out in accordance with the Council's Financial Regulations, proper practices, and any relevant internal control procedures.

12. Compliance

The Council will give priority to security and liquidity over yield. The Council will not borrow money purely for the purpose of investment.

13. Review

This policy must be reviewed annually. Full Council must approve any revisions. The Finance Committee will review the policy each year and recommend changes to Full Council before the start of the new budget year. The Clerk/RFO does not provide specialist financial advice.