INVESTMENT AND LOAN POLICY & STRATEGYBC

Policy No: BCSPC POL 20

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.

Brightwell-cum-Sotwell Parish Council (BCSPC) 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 and village hall etc.

This Strategy and Policy should be read in conjunction with section 11 (Loans & Investments) od BCSPC's Financial Regulations.

2. 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 – (BCSPC have had no such investments.)

BCSC 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As well as ensuring funds can only be withdrawn with at least 2 Council authorisers, or to another BCSPC account, BCSPC aims to protect against capital loss as follows: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 £120,000 per authorised institution.

BCSPC 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.

In practise not many organisations offer savings accounts which are open to Parish Councils, without also holding a current account with the same organisation, and which allow management online. This may sometimes limit the ability to keep all funds in accounts with £120,000 FSCS protection. When this is the case BCSPC will strive to spread its funds approximately evenly over its investments to avoid having “too many eggs in the same basket”.

Risk Assessment and Mitigation
BCSPC will not make investments unless it has enough understanding to make an informed decision.

BCSPC’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 GBCSC should wish to consider more complex investment types, BCSPC 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. BCSPC 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 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’. BCSPC 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 make a return, is unlawful. BCSPC will not engage in such activity.

- 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. BCSPC will not invest directly in the money market, stocks or shares. BCSPC will only make non-specified investments in sterling, with a ‘high quality’ body or scheme or with the UK Government. BCSPC will only make investments over one year if we are satisfied that enough funds remain available for expenditure when needed.

Non-financial investments

- BCSPC owns land and buildings all 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.

2.2. Liquidity

The Council 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.

Any funds available from the 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 Reserves (EMRs) 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 BCSPC's plans for spending EMRs are agreed to ensure that funds are available when required.

BCSPC will only make investments over one year if 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. Strategy (FY 2026-7)

3.1. Position – 1 April 2026

BCSPC has the following accounts:

Institution	Product/Access	Sum Invested on 01/04/2026	Notice	Yield	Fixed/ Variable	FSCS
Lloyds Bank PLC	Deposit Account	76275.42	95 days	2.63%	Variable	Y
Lloyds Bank PLC	Community Instant Access	137929.35	Instant	0.60%	Variable	Y
Lloyds Bank PLC	Community Account	9821.72	Instant	0%	N/A	Y

Review of existing investments

The provider above has been identified as suitable for BCSPC investments. Other well-known banks require a current account to be held with them to allow a saving account to be opened, which would prove an unwelcome distraction.

3.2 Changes anticipated during FY2026-7

To foresee expenditure, and hence funds available for investment, a very simple cash flow model assumes:

- Precept funds arrive in 2 tranches on 1 April and 1 October
- Precept funds are spent at a uniform monthly rate

3.2 Proposal 2026/27 F

The Finance Officer will

- review interest rates monthly and recommend the distribution funds across accounts.
- review Investments if there is a significant change in interest rates, perceived risk of financial institution failure or economic climate.
- seek to identify further suitable accounts at least quarterly.
- report on the status of investments at each Full Council.

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

4. Approval

This document was approved for use at the meeting of the Parish Council on 16th June 2026, it shall be updated annually for the start of each new FY.

Signed: James Davies - Chairman

Chair Dated: 16th June 2026