

PRESTON BROOK PARISH COUNCIL

INVESTMENT AND TREASURY MANAGEMENT POLICY

Adopted on 22 September 2026

1. Introduction

1.1 Preston Brook Parish Council is responsible for the proper stewardship of public money. Funds which are not required for immediate expenditure must therefore be managed in a manner which protects the Council's financial position while allowing those funds, where appropriate, to generate a reasonable return.

1.2 This Policy establishes the framework within which the Council will manage cash balances, reserves, deposits and investments. It is intended to ensure that investment decisions are prudent, transparent, proportionate to the Council's circumstances and consistent with the Council's wider financial responsibilities.

1.3 For the purposes of this Policy, treasury management encompasses the management of the Council's cash flows, banking arrangements and investments, together with the identification, assessment and management of the financial risks arising from those activities.

1.4 In exercising its investment and treasury management functions, the Council will have regard to the relevant provisions of the Local Government Act 2003 and to the *Statutory Guidance on Local Government Investments* issued by the Secretary of State under section 15(1)(a) of that Act. The Council recognises that the extent to which the Statutory Guidance applies to parish councils is determined by the level of investments held or expected to be held during the financial year. Where the Guidance does not apply as a mandatory requirement, the Council may nevertheless adopt its principles as a matter of prudent financial management and good governance¹.

1.5 Pursuant to the Trustee Investments Act 1961, a parish council is empowered to invest. It is also empowered to deposit funds in a bank account (including one that earns interest - known as a 'savings account') authorised under "Incidental Powers" of Section 111 of the Local Government Act 1972.

1.6 This Strategy has been prepared in accordance with, and shall be construed as complying with, the following statutory and regulatory guidance:

- *The Department for Communities and Local Government ("DCLG") Statutory Guidance on Local Government Investments (as amended from time to time);*
- *Governance and Accountability for Local Councils: A Practitioner's Guide (most recent edition).*

¹ https://assets.publishing.service.gov.uk/media/5a74512440f0b646ce8d9b0e/Guidance_on_local_government_investments.pdf

2. Investment Objectives

3.1 The Council will not pursue investment income at the expense of the protection or availability of public funds.

3.2 Both the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice and the DCLG Guidance require that local authorities invest funds on the basis of prudence. Investment decisions will therefore be governed by three considerations, applied in the following order:

- *Security: protecting the capital sum from loss; and*
- *Liquidity: ensuring that funds are available when required; and only thereafter seeking to optimise yield.*
- *Yield: obtaining an appropriate financial return once satisfactory levels of security and liquidity have been achieved.*

3.2 The Council's overriding objective is to achieve an appropriate balance between risk and return, with the minimisation of risk being paramount. The Council will therefore seek to secure optimum returns commensurate with the principles of security and liquidity. These principles are hierarchical. The prospect of a higher return will not, by itself, justify exposing Council funds to a materially greater level of risk. The Council will seek a reasonable return on surplus funds where this can be achieved without compromising security, liquidity or the Council's ability to discharge its functions.

3.3 Investment decisions will form part of the Council's wider financial management arrangements and will take account of its budget, reserves, anticipated expenditure, contractual commitments and other reasonably foreseeable liabilities. The Council's investment and savings priorities are, in strict order of precedence:

1. The security of its reserves;
2. The maintenance of adequate liquidity; and
3. The generation of returns.

3.4 All investments shall be denominated in pounds sterling (£). The Council will not intentionally expose public funds to foreign-exchange risk for the purpose of obtaining an investment return.

3.5 In accordance with statutory guidance, the Council shall not borrow funds for the sole purpose of investment or on-lending in order to secure a return. Such activity is deemed unlawful.

3.6 The Council shall set investment limits by reference to the lowest published long-term credit rating issued by Fitch, Moody's, or Standard & Poor's. Credit ratings shall be obtained and monitored by the Responsible Finance Officer ("RFO"), who may utilise the services of an external treasury management adviser.

3.7 The Council may place funds with reputable organisations only. The Council recognises that no investment decision is entirely without risk. Its approach will therefore be based upon identifying, controlling and, where practicable, reducing financial risk rather than pursuing maximum investment returns. Council funds will only be placed with institutions, public bodies, funds or other counterparties which the Council is satisfied are appropriate having regard to the nature and value of the proposed investment.

3.8 The Council shall regularly monitor credit ratings and other relevant risk indicators. Investments shall be restricted to institutions deemed to be of “high credit quality” in accordance with Section 4.2 of this Strategy.

3.9 Where an institution is downgraded below the approved criteria:

- *No further investments shall be placed with that institution;*
- *Existing investments capable of recall or sale without penalty shall be so recalled or sold; and*
- *Where funds cannot be withdrawn immediately, or withdrawal would incur a significant penalty, the Responsible Financial Officer will consider the circumstances and determine whether the matter should be referred to the Council.*

3.11 The Council acknowledges that credit ratings are not infallible. Regard shall therefore be had to additional market intelligence including, inter alia, credit default swaps, audited financial statements, government support mechanisms, and reputable financial press. A reduction in a credit rating will not automatically require the premature termination of every investment. The response will be determined by the nature of the deterioration, the remaining duration of the investment, the cost of withdrawal, the Council's exposure and the wider evidence available at that time.

3.12 Investments may be diversified across multiple counterparties, subject to approved limits, and legislation, to mitigate concentration risk.

3.13 Where an external investment manager is appointed, such manager shall be contractually bound to comply with this Strategy and any supplemental instructions of the Council.

4. Specified Investments

4.1 Statutory Guidance defines “Specified Investments” as those which are:

- (a) denominated in sterling;
- (b) repayable within twelve (12) months;
- (c) not classified as capital expenditure; and
- (d) made with one of the following:

- The UK Government;
- A UK local authority, parish or community council; or
- A body or scheme of “high credit quality.”

4.2 For the purposes of this Strategy, “high credit quality” shall mean:

- A credit rating of ‘A-’ or higher; and
- Domicile within the United Kingdom or a sovereign state rated ‘AA+’ or higher. In the case of Money Market Funds or pooled funds, a rating of ‘A-’ or higher shall be required.

4.3 Short-term investments with the UK Government, local authorities, or parish councils shall automatically be classified as Specified Investments.

4.4 Deposits may be placed with banks, local authorities, or other approved bodies for the prudent management of treasury balances.

4.5 The Council Committee shall determine the institution and term of each investment, subject always to this Strategy and the Council's liquidity requirements.

4.6 The Council's current operational banking arrangements are with Unity Trust Bank. The Council intends to diversify future investments across a wider range of approved counterparties to mitigate risk.

4.7 Day-to-day banking shall remain with Unity Trust Bank. Consideration shall be given to the opening of interest-bearing accounts and pooled funds, including the CCLA Public Sector Deposit Fund (provided any fund qualifies as an approved collective investment scheme at time of investment).

4.8 Initial approved counterparties include:

- *Unity Trust Bank – Current Account;*
- *Unity Trust Bank – Savings Account;*
- *CCLA – Public Sector Deposit Fund (provided it qualifies as an approved collective investment scheme at time of investment).*

The Council recognises that pooled funds are not bank deposits, may fluctuate in value, and are not protected by the Financial Services Compensation Scheme (FSCS).

5. Liquidity of Investments

5.1 The Council shall determine maximum investment maturities, having regard to forecast expenditure and liquidity risks. All such determinations shall comply with this Strategy and the Council's earmarked reserves requirements.

5.2 Before committing money for a fixed period, the Council will consider its reasonably foreseeable cash requirements. Sufficient readily accessible funds will be maintained to meet ordinary expenditure, known commitments and an appropriate allowance for unforeseen expenditure.

6. Long-Term Investments

6.1 For the purposes of this Policy, an investment with a maturity exceeding twelve months will be regarded as a longer-term investment.

6.2 The Council will not commit funds for such a period unless it has considered the resulting reduction in liquidity and is satisfied that the funds are unlikely to be required during the investment period.

6.3 Any proposal to make a material longer-term or non-specified investment should normally be presented to Full Council and supported by sufficient information to enable Members to understand the associated risks.

6.4 At the date of first adoption of this Policy, the Council holds no long-term investments.

7. Reporting

7.1 The RFO shall provide regular reports on investment activity to the Council, and at least annually. This Policy will also require a further options report to be presented to the Council prior to any investments entered into.

8. Review and Amendment

8.1 Full Council retains responsibility for determining the Council's overall investment policy and risk appetite.

8.2 The placement of investments must operate within any limits or delegations determined by the Council.

8.3 No delegation under this Policy permits an officer or committee to undertake an investment falling outside the classes, limits or principles approved by Full Council.

8.4 Material departures from the approved investment framework must be referred to Full Council before implementation, except where urgent action is reasonably required to protect Council funds. Any emergency action taken for that purpose must be reported to Council at the earliest reasonable opportunity.

8.5 This Strategy shall be reviewed each year by the Council. The Annual Investment Strategy for each financial year (options report) shall be prepared by the RFO and presented to the Council for approval.

8.3 Any adoption of this Policy, or variations to it, shall be published and made available for public inspection.

9. Treasury Management Advice

9.1 The RFO may recommend the procurement of independent professional advice in respect of treasury management, including the review of this Strategy and allocations of Specified Investments.

9.2 Appointment of an external manager does not transfer the Council's ultimate responsibility for the stewardship of public money.

9.3 Any external manager must operate within the Council's approved strategy, contractual requirements and any specific restrictions imposed by the Council.

9.4 External advice may be sought from:

- The relevant principal local authority;
- Specialist treasury management advisory firms with local authority expertise; or
- Independent financial advisers of demonstrable competence and regulatory standing.