

# Church Crookham Parish Council Treasury and Investment Policy

## 1. Policy Background

- 1.1 Church Crookham Parish Council's Treasury and Investment policy and its associated strategy are conducted in accordance with:
  - i) The Local Government Act 2003 (the Act) and supporting regulations. This requires the Council to prepare an Annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
  - ii) The statutory guidance on local government investments (issued subsequent to the Act) which requires the production of an Annual Investment Strategy and gives guidance on how this should be completed.
- 1.2 It is uncommon for a parish council to hold investments other than in the form of easily accessible bank deposits or other short-term savings accounts. These are often used to maximise income from cash balances during the financial year.
- 1.3 The legislation and associated guidance is optional for parish councils where investments are not expected to exceed £500,000 and no action is required below £10,000. Where the investment exceeds £500,000, the guidance is mandatory. Safety of the principal should be the foremost objective of any investment program. Investments should be undertaken in a manner that seeks to ensure the preservation of capital. The goal should be to mitigate credit risk and interest rate risk.

Church Crookham Parish Council was created by Hart District Council on 1 April 2010.

The parish currently contains 4172 dwellings.

The Crookham Park development has provided assets in the form of a community centre, allotments, and several recreational open spaces. Under the S106 agreement sums of money will be provided to cover the management and maintenance of these assets for up to 20 years. These sums can be identified by area or asset and the money held must be used for those.

## 2. Definitions

- 2.1 **Investments**– all investments of more than one year in duration, these will not be included in the Council's reserves, they will be included in the asset register
- 2.2 **Treasury** - all cash deposits held in bank and building society accounts, including bonds of up to 12 months duration.
- 2.3 **Specified investments** - sterling investments of less than 1-year maturity, with bodies or schemes with a minimum high credit rating at time of investment.

2.4 **Non-specified investments** – investments not meeting the definition criteria of specified investments.

### 3. Objectives:

In accordance with the statutory guidance Church Crookham Parish Council's investment priorities are:

- i) To invest prudently having regard to the security of investments.
- ii) To maintain liquidity in the investment portfolio to meet the council's spending plans.
- iii) To seek the optimum return on investments consistent with the proper levels of security and liquidity.

The risk appetite of this council is low in order to give such priorities, so whilst aiming to achieve the optimum return the council must be mindful to the security of its investments.

#### **Annual Investment Strategy**

Where investments exceed £500,000 the statutory guidance requires a council to formulate an annual investment strategy, to be approved by Full Council prior to the start of the financial year to which it refers, to ensure that the council has properly assessed the risks of committing funds to long term investments

The strategy covers both specified Investments and non-specified investments as detailed above.

- **Maximum deposit - A maximum of no more than 50% of general reserves may be deposited with any one financial institution, subject to the appendix.**
- **S106 funds may be considered for other long-term investments.**

Any exception to the maximum limits must be agreed at Full Council.

In a Policy Statement (PS9/15) issued in May 2015 the Prudential Regulation Authority of the Bank of England announced that the Financial Services Compensation Scheme now covers "Small Local Authorities" i.e. those authorities with an annual budget of up to 500,000 Euros. The policy statement does not state whether the term budget refers to income or expenditure, so it is therefore prudent to assume that both income and expenditure need to be under the 500,000 Euros threshold to qualify<sup>1</sup>.

Those councils not qualifying as Small Local Authorities are not eligible for protection under the scheme<sup>2</sup>

- **Types of investment** –subject to the financial institution criteria detailed in the appendix the Council may deposit non S106 funds in the following accounts:
  - deposit accounts

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<sup>1</sup> NALC Financial Topic Note F08-15 4 Sept 2015

<sup>2</sup> NALC Financial Briefing F07-14 3 June 2014

- business bonds
- Public Sector Deposit Fund
- Money market account.

S106 funds may be deposited in the following types of accounts:

- Deposit accounts
- Business bonds.
- CCLA products i.e. Public Sector Deposit Fund and Local Authority Property Fund

Credit ratings of all financial institutions, with which the Council has current and deposit accounts, are to be reviewed annually and to be reported to the Finance & Policy Committee each January.

- **Investment preferences –**

Investment fund type		Required	Favoured	Neutral	Disliked	Excluded
Cash	Sterling	X				
	US dollars			X		
Environmentally responsible/ ethical funds			X			
Geographical location	Africa					X
	Emerging markets					X
	Europe excl UK			X		
	Europe incl UK			X		
	Far East			X		
	North America			X		
	Pacific Rim					X
	UK		X			
Equities	All companies			X		
	Smaller companies			X		
Managed funds	Active		X			
	Passive			X		
Property			X			
Corporate / Fixed Interest Bonds			X			
Gilts			X			

- **Tolerable investment fall / timescale**

Investment values may fall, the table below shows the tolerable level of loss

	Nil	Up to 5%	5% - 10%	Over 10%
<b>For up to 1 year</b>		X		
<b>1 – 5 year period</b>		X		
<b>5 – 10 year period</b>			X	
<b>More than 10 years</b>			X	

## **S106 Funds**

Cashbooks for the S106 funds will be maintained separately to the Council's precept cashbooks. S106 funds should be deposited in bank accounts separate to those used for the day-to-day Council payments.

- **Community Centre S106 funds**

Following the completion of the build of the community centre the remainder of the S106 funds provided for the project will be accounted for via cashbook 3 S106 funds. Records will be maintained to show the amount in reserve for these funds.

- **Other S106 funds.**

Church Crookham Parish Council will be receiving S106 funds for the maintenance and management of the open spaces at Crookham Park.

- All payments are made from the revenue bank account, therefore S106 funds will be transferred on a quarterly basis retrospectively from S106 bank account to revenue bank account to cover that quarters actual S106 expenditure
- The transfer should be carried out by the RFO and reported with the monthly finance report.
- Sufficient S106 deposit accounts may be opened to meet the maximum deposits limits as stated above.
- The remainder of the funds should be deposited as detailed above.
- Funds should be released on an annual basis so that they equal the same value in 'real terms' over the life of the agreement.
- The RFO will maintain records of expenditure for each category of S106 funds i.e.:
  - Open Spaces (both formal and informal)
  - Play Areas
  - Allotment / SANGS car park
  - Sandy Lane car park
  - Allotments
  - Public Art
  - Community Centre (if applicable)

*Appendix:*

**Financial institutions the Parish Council may deposit funds with:**

- I. Institutions should meet at least 2 of the 3 appropriate credit ratings criteria in relation to the term of the deposit at the time of making the deposit.

**Required ratings:**

Type	Minimum rating			Definition
	Fitch	Moody's	S&P	
Short term – maturities of less than 1 year.	F1	P-1	A-1	Strong capacity to meet financial commitments. Low to medium risk. Numeral indicates higher end of rating
Long term – maturities up to 5 years.	A	A3	A	Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances. Low to moderate risk

- II. Church Crookham Parish Council currently has a current account and two deposit accounts with Unity Trust Bank.
  - Payments from precept funds are made from the current account.
  - One deposit account is used to hold the Allotment Deposits.
  - The other may be used to hold precept funds and other non-S106 income to a maximum limit as detailed above.

Unity has a very strong liquidity position, and therefore does not need to borrow money from the inter-bank markets or from any other organisation to fund its day to day activities. This is the reason that the bank has not had to purchase a credit rating from a third-party rating agency. Such ratings are required to facilitate inter-bank borrowing, and as Unity does not borrow money from other banks, it does not require a credit rating. Unity is a bank specialising in the provision of banking services to charities, voluntary organisations, social enterprises, Trades Unions, and other not-for-profit organisations. This business is less volatile than that undertaken by many UK banks and as such has not been impacted to any material degree by some of the situations faced by other banks. Unity has a full banking licence, is regulated by both the Financial Conduct Authority and the Prudential Regulation Authority and is a member of the British Bankers Association.

**Procedure for making a deposit**

- I. RFO to identify an appropriate deposit account, business bond or money market fund with a financial institution that fits the council's criteria listed below. Any bonds should be capital sum guaranteed.



- II. Approval of Full Council is required if the deposit is with a financial institution that the Council does not have an account with. (Approval to be minuted.)
- III. Approval is delegated to the Chair of Finance and one other member of the Finance & Policy committee if the deposit is with any of the Council's existing bankers (Approval to be registered by the signing of an agreement detailing the deposit to be made).
- IV. The RFO actions the opening of the account and the setting up of the bank mandate for Council members.
- V. A minimum of three Councillors to be included on each mandate.
- VI. The RFO actions the deposit / transfer of funds.
- VII. At the end of the deposit term the RFO has delegated authority to move the funds into another bond with the same financial institution provided that that institution meets the criteria below.

**Bank transfers.**

- Delegated authority is given to the RFO to make transfers between accounts of the same bank.
- Transfers between banks will require movement by cheque, requiring two members' signatures.
- Details of all transfers should be provided to council with the monthly finance report.

## TRACKED AMENDMENTS

### Changes to policy July 2017:

- **Types of investment** –subject to the financial institution criteria detailed in the appendix the Council may deposit non S106 funds in the following accounts:
  - deposit accounts
  - business bonds
  - Public Sector Deposit Fund
  - Money market account.

Clause 20.1a of the S106 agreement states that the parish council is obliged upon receipt to place all sums received in an interest-bearing account or in separate accounts at the council's discretion", therefore S106 funds may be deposited in the following types of accounts:

- Deposit accounts
  - Business bonds
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- **Community Centre S106 funds**

Following the completion of the build of the community centre the remainder of the S106 funds provided for the project will be accounted for via cashbook 3 S106 funds. Records will be maintained to show the amount in reserve for these funds.

- Change:
  - Formal Open Spaces
  - Informal Open spaces

To:

- Open spaces (Formal & Informal)

### Changes to policy November 2017:

- **Maximum deposit** - A maximum of **£700,000** may be deposited with **any one financial institution**, subject to the minimum required rating as per the ratings in the table in the appendix.  
**TO**
- **Maximum deposit** - A maximum of **no more than 50% of total reserves** may be deposited with **any one financial institution**, subject to the appendix
- Financial institutions the Parish Council may deposit funds with:
  - I. Institutions should meet the required rating at the time of making the deposit

**TO**

- I. Institutions should meet at least 2 of the 3 appropriate credit ratings criteria in relation to the term of the deposit at the time of making the deposit.

Changes to Policy January 2018:

**Remove** from Annual Investment Strategy – maximum deposit - *The Parish Council is not covered under the current Financial Services Compensation Scheme.*

**Add** In a Policy Statement (PS9/15) issued in May 2015 the Prudential Regulation Authority of the Bank of England announced that the Financial Services Compensation Scheme now covers “Small Local Authorities” i.e. those authorities with an annual budget of up to 500,000 Euros. The policy statement does not state whether the term budget refers to income or expenditure, so it is therefore prudent to assume that both income and expenditure need to be under the 500,000 Euros threshold to qualify<sup>3</sup>. Those councils not qualifying as Small Local Authorities are not eligible for protection under the scheme<sup>4</sup>

Changes to Policy November 2018:

Addition to Types of Investments S106 funds:

- CCLA products i.e. Public Sector Deposit Fund and Local Authority Property Fund

Changes to Policy February 2019:

**1. Removal of statement:**

Clause 20.1a of the S106 agreement states that the parish council is “obliged upon receipt to place all sums received in an interest-bearing account or in separate accounts at the council's discretion”, therefore

**2. Addition of**

Investment preferences table

Tolerable investment fall / timescale table

**3. Updates to text:**

**From:**

The parish contains 3260 dwellings and will expand to include 972 being built at Crookham Park.

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<sup>3</sup> NALC Financial Topic Note F08-15 4 Sept 2015

<sup>4</sup> NALC Financial Briefing F07-14 3 June 2014



The development will also provide assets in the form of a community centre, allotments, and several recreational open spaces.

**To:**

The parish currently contains 4201 dwellings.

The Crookham Park development has provided assets in the form of a community centre, allotments, and several recreational open spaces.

Changes to Policy April 2019:

**from**

o Maximum deposit - A maximum of no more than 50% of total reserves may be deposited with any one financial institution, subject to the appendix.

**to**

- o Maximum deposit - A maximum of no more than 50% of general reserves may be deposited with any one financial institution, subject to the appendix.

S106 funds may be considered for other long-term investments

Changes to policy October 2020

**From 4201 to 4172 dwellings**

**From:**

- **Other S106 funds.**

Church Crookham Parish Council will be receiving S106 funds for the maintenance and management of the open spaces at Crookham Park.

- o The total annual expected S106 expenditure as agreed in the budget should be held in a S106 deposit account. Funds should be transferred from this account to the S106 current account each month as required to cover the cost of maintenance. Sufficient S106 deposit accounts may be opened to meet the maximum deposits limits as stated above.
- o The transfer should be carried out by the RFO and reported with the monthly finance report.
- o The remainder of the funds should be deposited as detailed above.
- o Funds should be released on an annual basis so that they equal the same value in 'real terms' over the life of the agreement.
- o The RFO will maintain records of expenditure for each category of S106 funds i.e.:
  - Open Spaces (both formal and informal)
  - Play Areas
  - Allotment / SANGS car park
  - Sandy Lane car park
  - Allotments
  - Public Art

- Community Centre (if applicable)

**To:**

- **Other S106 funds.**

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- All payments are made from the revenue bank account, therefore S106 funds will be transferred on a quarterly basis retrospectively from S106 bank account to revenue bank account to cover that quarters actual S106 expenditure
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