INVESTMENT POLICY

1. Purpose of the Policy

The purpose of this Investment Policy is to provide a clear framework for the prudent management and investment of surplus funds held by Lytchett Matravers Parish Council ("the Council"). The policy aims to:

- Safeguard public funds
- Ensure sufficient liquidity to meet the Council's financial obligations
- Achieve the best possible return consistent with low risk

This policy complies with the **Local Government Act 2003**, the **Statutory Guidance on Local Government Investments** issued by the Secretary of State, and the **CIPFA Treasury Management Code of Practice**.

This policy should be read in conjunction with the Council's:

- Financial Regulations
- Internal Control Policy
- Reserves Policy
- Risk Register

to ensure a comprehensive approach to financial management and risk mitigation.

2. Legislative and Professional Framework

This policy is set in accordance with:

- **Section 15 of the Local Government Act 2003**
- **Statutory Guidance on Local Government Investments** (as amended)
- **CIPFA Treasury Management in the Public Services: Code of Practice**

CIPFA defines Treasury Management as:

"The management of the organisation's borrowing, investments and cash flows; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

The Council confirms that it will not borrow funds purely to invest or to generate profit, as this is not lawful under the Act.

3. Scope

This policy applies to all investments of funds held by the Council, including:

- General reserves
- Earmarked reserves
- Any other funds temporarily surplus to operational requirements

as defined within the Council's Reserves Policy.

All investments will be made in sterling.

Lytchett Matravers Parish Council
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4. Investment Objectives

The Council's investment priorities, in order, are:

1. **Security**
    - The safeguarding of the capital sum invested.
2. **Liquidity**
    - Ensuring funds are available to meet expenditure commitments as they fall due.
3. **Return**
    - Achieving a reasonable return consistent with security and liquidity requirements.

The Council adopts a low-risk investment approach, prioritising the protection of public funds over yield.

5. Responsibilities

5.1 Full Council

The Full Council will:

- Approve this Investment Policy and any subsequent amendments
- Approve investment limits and any investments outside standard parameters
- Monitor investment performance and compliance
- Receive regular investment reports

5.2 Responsible Financial Officer (RFO)

The RFO will:

- Manage day-to-day investment activity in accordance with this policy
- Ensure compliance with statutory requirements and Council procedures
- Maintain full records of all investment transactions
- Ensure investments are consistent with the Council's approved reserves levels
- Report investment activity to Council at least quarterly

6. Investment Strategy

The Council acknowledges the importance of prudently investing surplus funds held on behalf of the community.

Investment decisions will be made with regard to:

- Cash flow requirements
- Budget forecasts
- Reserve commitments
- Risk assessments

Investments will be regarded as commencing on the date the commitment to invest is entered into, not the settlement date.

7. Permitted Investments

7.1 Specified Investments

Specified Investments are those offering high security and high liquidity, with a maturity of no more than 12 months, including:

- Deposits with UK banks and building societies
- UK Local Authority short-term deposits
- UK Government gilts, Treasury bills, and other HM Government securities

Such investments will normally be considered low risk.

7.2 Non-Specified Investments

Non-Specified Investments carry a higher potential risk and include instruments such as money market investments.

The Council may invest in non-specified **investments only where**:

- The maturity period is less than 12 months
- The investment is assessed as low risk
- The investment does not compromise liquidity

The Council will not invest in equities, pooled funds, or speculative instruments.

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8. Prohibited Investments

The Council will not invest in:

- Derivatives, futures, or speculative instruments
- Investments outside the UK without explicit Council approval
- Investments that compromise security, liquidity, or public confidence
- Borrowing solely for investment purposes

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9. Investment Limits and Controls

- No more than £120,000 may be invested with any single institution without Full Council approval
- Investments must comply with the Council's Financial Regulations and Internal Control Policy
- The RFO will maintain an Investment Register detailing:
    - Institution
    - Amount invested
    - Date and maturity
    - Interest rate
    - Investment type

Diversification will be used to reduce exposure to risk.

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10. Liquidity Management

As part of the annual budgeting process, the RFO will recommend an investment plan that:

- Assesses liquidity requirements
- Specifies maximum investment periods
- Ensures sufficient funds remain accessible

Earmarked reserves will not be invested in a manner that restricts their availability when required.

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11. Reporting and Review

- Investment activity will be reviewed quarterly by the RFO and reported to Council
- Investment income will be included in budget forecasts
- This Investment Policy will be reviewed annually, or earlier if required by:
    - Legislative changes
    - Updated statutory guidance
    - Material changes in financial position or risk

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12. Risk Management and Governance

- Investment decisions will align with the Council's Risk Register
- All decisions will be properly minuted
- Transparency and accountability will be maintained at all times
- External investment managers, if used, must comply fully with this policy

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13. External Borrowing

At present, the Council has no requirement for external borrowing.
Should this change, a separate Borrowing Strategy will be developed and approved in accordance with statutory requirements and CIPFA guidance.

Adopted by Lytchett Matravers Parish Council: Full Council 25th February 2026

Minute Reference: 5.3

Next Review Date: March 2027
