



Caistor Town Council - Investment Strategy Policy 2025–2026

1. Introduction

This Investment Strategy has been prepared in accordance with the Local Government Act 2003 and the Ministry of Housing, Communities and Local Government (MHCLG) Statutory Guidance on Local Government Investments (3rd Edition, 2018). It outlines how the council manages surplus funds, ensuring security, liquidity, and appropriate return.

2. Purpose and Scope

The purpose of this strategy is to:

- Set out how the council will invest its surplus funds responsibly.
- Confirm the types of investments permitted.
- Outline the council's risk management and governance framework.

This strategy applies to all financial investments held by the council and is reviewed annually as part of budget setting.

3. Council's Financial Position

At the start of the 2025–26 financial year, the council expects to hold:

- Operating costs (annual): approx. £158,500
- General reserves (target 40%): £63,000
- Earmarked reserves: £63,000
- Bank balance at year start: up to £260,000
- Additional income expected throughout the year: £17,500

4. Investment Objectives

The council's investment priorities are:

1. Security – Protecting the capital sum invested.
2. Liquidity – Ensuring funds are available when required.
3. Yield – Generating a modest return within acceptable risk levels.

The council does not engage in treasury management activities involving borrowing or high-risk investments.

5. Approved Investment Instruments

Only the following low-risk instruments may be used:

- UK Government-backed accounts (e.g. National Savings & Investments)

- Banks or building societies authorised by the Financial Services Compensation Scheme (FSCS)
- Local Authority short-term deposits
- AAA-rated Money Market Funds with daily access

7. Risk Management

- Diversify to spread risk and stay within FSCS limits.
- Monitor institutions' credit ratings annually.
- Avoid investments with high volatility or long-term illiquidity.
- Aim for no more than £85,000 to be held in any single institution (FSCS limit).
- Investments must be timed to match cash flow needs.

8. Monitoring and Review

- The strategy will be reviewed annually during the budget process.
- A quarterly investment report will be reviewed by the Finance Committee.
- Adjustments may be made in response to economic conditions or council needs.

9. Governance and Compliance

- Investments must be authorised by the Clerk/Responsible Financial Officer (RFO) under the direction of the Finance Committee.
- All investment activity must comply with relevant legislation and guidance, including:
 - Local Government Act 2003
 - MHCLG Statutory Investment Guidance (2018)