



# Caistor Town Council – Investment Strategy Policy 2026–2027

## 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 the budget setting process.

## 3. Council's Financial Position

At the start of the 2026–27 financial year, the council expects to hold (subject to final accounts):

- Operating costs (annual): approx. £167,850
- General reserves (target 40%): £67,140
- Earmarked reserves: £42,540
- Bank balance at year start: up to £257,770
- Additional income expected throughout the year: £15,000

## 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 borrowing for investment purposes or in high-risk investment activity.

## 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

## **6. Risk Management**

The council will adopt a prudent approach to managing investment risk:

- Diversify investments to spread risk and remain within FSCS protection limits
- Monitor institutions' credit ratings and financial standing annually
- Avoid investments with high volatility or long-term illiquidity
- Aim for no more than £120,000 to be held in any single institution (aligned with updated FSCS limit)
- Ensure investment durations align with cash flow requirements

## **7. 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 requirements

## **8. 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)