Council's Financial Portfolio

Thurston Parish Council

Paper: Paper Financial Portfolio – Agenda Item 5a
Reason: To receive an update on the council's investments to include a revised Investment Strategy
Period covered: 1 April 2026 to 31 March 2027
Presented to Council: Policy and Resources Committee Meeting
Date: 11 November 2026
Author: Responsible Financial Officer (RFO)

Summary

This report provides an update on how Council manages its monies with regards to cash flow requirements, fund diversification and investment optimisation.

Current situation

Currently, the Council has adopted a prudent approach with the majority of funds held by the Council being held in instant saver and notice accounts.

All investments of money are under the control of the Council and are in the name of the Council. All are classed as short term investments and offer high security and high availability, are made in sterling and mature within one year.

Council's investment objectives

- Security - in recognising the Council's responsibility to Council Taxpayers, the parish council will seek to ensure all investments are made with a body or an investment scheme which has been awarded a high credit rating by a credit agency in comparison with other financial institutions.

- Liquidity - whilst the Parish Council may invest funds in either short term or long-term investment products, the presumption will be that it will maintain high levels of liquidity and seek investment generally for a period of up to 12 months.

- Return - this will depend upon the investment options available at any one point in time.

- In accordance with the Council's Climate Emergency Declaration, ethical investment opportunities which seek to positively contribute to the environment will be considered alongside yield, subject to any such investment complying with the statutory guidance as outlined in this document.

In Practise

The Council's **investment policy** to meet the objectives is to invest only in high security and high liquidity funds, denominated in Sterling and with a maturity of no more than one year.

Fund security – only institutions with FSCS protection (up to £120,000 per institution from 1 December 2025) or a high credit rating (i.e. A rated and above) should be used.

Liquidity – the Council will retain not less than 3 months' average working capital in current and deposit accounts with immediate access. This figure should be reviewed regularly especially if large items of expenditure are expected. Any excess above working capital is treated as surplus funds.

Investment returns – working capital. The balance in the current account should be maintained at a level sufficient to meet the monthly payments and the remainder held in the savings accounts to optimise returns.

Responsibility for Balances

The Responsible Financial Officer is responsible for maintaining balances within the parameters of council's adopted Financial Regulations and the adopted Investment Strategy. Balances are reported each month to full Council in the financial report.

As large deposits, such as precept and CIL or movements between accounts usually occur at the end of the month, the Responsible Financial Officer may hold a balance greater than the maximum specified for a limited period, until a transfer can be made. Where this occurs, it will be noted in the financial report.

Account Management Arrangements on 31 October 2026

Bank Accounts

Institution	Account	Amount	Interest rate AER%	FSCS eligible?
Lloyds	Current	£483,707.28	0.00%	Yes, but capped at £120,000
	Savings	£587,607.48	0.70%	
Redwood Bank	Savings	£120,836.94	3.00%	Yes, but capped at £120,000
Unity Trust	Current	£19,199.59	0.00%	Yes, but capped at £120,000
	Savings	£121,698.52	1.95%	

Other Investments

Institution	Account	Deposit Amount	Maturity Date	Gross Interest Rate	Interest Amount
Lloyds	181 days Term	£100,00	6 October 2027	2.75%	£2,968.49
Lloyds	367 days Term	£200,000	1 November 2027	2.75%	£5,530.14

Actions carried out following approval at the Committee meeting in July 2026

1. The RFO continues to actively manage the Unity Trust current account so that there is sufficient working capital to manage the payroll function of the council

2. The RFO continues to actively manage the Redwood savings account to optimise the investment return (within the FCS limit).

3. The Lloyds 186 days Deposit Term Account, at maturity date, was increased to £100,000 for a 6month term at current rate of 2.2%

4. A Lloyds 367 days Deposit Term Account was opened in October 2026 following receipt of CIL funds in October.

Actions still to be carried out following approval at the meeting of the Committee in July 2026

5. Although approval was given to open an account opened with Hampshire Trust Banks in the amount of £120,000 in a 1 year online fixed saver with an AER of 4.31%, currently the bank is not taking on any new accounts – this will be monitored over the coming months

6. The initial forms have been submitted to the CCLA for an initial investment of £200,000 into the Public Sector Deposit Fund.

Recommendation:

- That the updated version of Investment Strategy (Appendix A) be approved and adopted;
- That the fund balances listed above be so noted.

Appendix A – Investment Strategy

Introduction

As part of its fiduciary duty, Thurston Parish Council (the Council) acknowledges the importance of prudently saving and investing any temporarily surplus funds held on behalf of the community.

This policy complies with the revised requirements set out in the Department of Communities and Local Government Guidance on Local Government Investments and takes into account Section 15(1)(a) of the Local Government Act 2003 and guidance within the Governance and Accountability for Local Councils Practitioners' Guide 2026.

Parish Councils have the power to invest surplus funds and the Local Government Act 2003 states that a local authority may invest:

- For any purpose relevant to its functions under any enactment.
- For the purpose of prudent management of its financial affairs.

Policy

This strategy establishes formal objectives, policies and practices and reporting arrangements for the effective management and control of the Council's treasury management activities and the associated risks and should be read in conjunction with the Council's Financial Regulations.

Investment Objectives

The Council's priorities will centre on managing the risks associated with investment by prioritising security above the other two investment criteria.

- Security - in recognising the Council's responsibility to Council Taxpayers, the parish council will seek to ensure all investments are made with a body or an investment scheme which has been awarded a high credit rating by a credit agency in comparison with other financial institutions.
- Liquidity - whilst the Parish Council may invest funds in either short term or long-term investment products, the presumption will be that it will maintain high levels of liquidity and seek investment generally for a period of up to 12 months.
- Return - this will depend upon the investment options available at any one point in time.

In accordance with the Council's Climate Emergency Declaration, ethical investment opportunities which seek to positively contribute to the environment will be considered alongside yield, subject to any such investment complying with the statutory guidance as outlined in this document.

Control Measures

All investments will be made in sterling, and any repayments or payments will also be made in sterling.

All investments will be within the United Kingdom only.

The Responsible Financial Officer (RFO) may place funds in investments subject to:

a. compliance with the strategy outlined below; and
b. consultation with a minimum of two members of the Policy & Resources Committee.

Investments should be spread over different providers where appropriate to minimise risk.

Investment Strategy

Thurston Parish Council's main accounts are maintained with UK clearing banks – Lloyds Business Account (Current and Instant Access Account), Lloyds Commercial Saving Account (Instant Access Account), Redwood Bank (95 Day Notice Account), Unity Trust (Current Account and Instant Access) and the Public Sector Deposit Fund.

Ideally, the combined total of current account balances should not exceed £120,000 per UK-authorised firm, the maximum currently covered by the Financial Services Compensation Scheme (at any one time – effective 1 December 2025).

Any funds above the maximum covered by the Financial Services Compensation Scheme will be placed with other UK banks or building societies.

The remainder of funds held will be invested to ensure maximisation of maximise interest received whilst retaining flexibility of cashflow and minimising risk to capital. As a principle, funds will be distributed between a number of organisations, to minimise any loss in the event of failure of a single institution.

For the prudent management of its balances, maintaining sufficient levels of security and liquidity, the council will use:

- UK banks and UK building societies
- Public Bodies (including Local Authorities and Police Authorities)
- The debt management agency of HM Government.

The term of any deposit will not exceed twelve months unless it is clear that the funds will not be required for a specific, longer period. The RFO will ensure that funds are invested so as not to compromise liquidity.

Preference will be given to funds which can demonstrate ethical investment.

The process for agreeing investments with new institutions will be that a recommendation will be brought by the RFO to either the Policy and Resources Committee or Full Council for approval.

Risk Assessment

The council will only invest in institutions of "high credit quality" as set out in the Investment Strategy section of this policy. Investments will be spread over different providers where appropriate to minimise risk.

The council will have regards for the general economic and political environment in which institutions operate.

Reporting and Review

The Investment Policy will be reviewed annually by the Policy & Resources Committee.

The RFO will produce an annual report on investment forecasts for the coming financial year for consideration when the budget is being set.

At the end of the financial year, the RFO will report on the investment activity to the Policy & Resources Committee prior to circulation to Full Council.

The Policy & Resources Committee reserves the right to make variations to the Investment Policy at any time.

Such amendments will be reported to full council at the earliest opportunity.

Any variations will be made available to the public.

Freedom of Information

In accordance with the Freedom of Information Act 200 this document will be posted on the council's website and is also available by contacting Thurston Parish Council, Parish Council Offices, New Green Centre, Thurston, IP31 3TG. Telephone: 01359 223854 or email