

SOUTHWATER PARISH COUNCIL

INVESTMENT POLICY



Produced:	March 2023
Revised:	March 2023
Approved:	Full Council Meeting – 15 th March 2023
Updated:	

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1. Introduction

- 1.1. Southwater Parish Council acknowledges the importance of its duty of care to the community and the prudent investment of temporarily surplus funds.
- 1.2. The Local Government Act 2003 Section 12 provides the power to invest (a) for any purpose relevant to its functions under any enactment or (b) for the purpose of the prudent management of its financial affairs.
- 1.3. The Local Government Act 2003, Section 15(1), requires a local authority to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify.
- 1.4. This policy has been prepared in accordance with the statutory Guidance on Local Government Investments (3rd Edition) ('the Guidance'), issued under section 15(1)(a) of the Local Government Act 2003, effective for financial years commencing on or after 1st April 2023.
- 1.5. The Guidance states:

a) it applies to parish councils and charter trustees, providing their total investments exceed or are expected to exceed £100,000 at any time during the financial year.

b) Where a Town or Parish Council expects its total investments to be between £10,000 and £100,000, it is encouraged to adopt the principles in this guidance.

The Council does expect its investments during the 2023-24 financial year to exceed £100,000.

- 1.6. The Prudential Regulation Authority (PRA) of the Bank of England in 2015 announced a change in policy to extend the protection afforded under the Financial Services Compensation Scheme (FSCS) to "*Small Local Authorities*" (SMAs). These Authorities are defined as Local Authorities with "*an annual budget of up to 500,000 Euros*".
- 1.7. The Council is not covered by the Financial Services Compensation Scheme (FSCS).

2. Investment Objectives

- 2.1. The Council's investment priorities are:
 - a) The security of its reserves and to minimise the risk of losses.
 - b) The liquidity of investments to meet the cash flow needs of the council.

- c) To aim to achieve the optimum return on its investments commensurate with adequate safeguards of security and liquidity.

3. Security of Investments

Government guidance differentiates between specified investments and non-specified investments.

- 3.1 **Specified Investments** – Specified investments are those offering high security and high liquidity with a maturity of no more than one year. In addition, short-term sterling investments must be with bodies/institutions with “high credit ratings”. For the prudent management of its reserves balances, maintaining sufficient levels of security and liquidity, the Council could use:

- a) UK banks and UK building societies;
- b) Public Bodies (including Local Authorities and Police Authorities);
- c) UK FCA regulated qualifying money market funds with a triple A rating.

- 3.2 **Non-specified Investments** – Non-specified investments are usually for longer periods (i.e., more than one year) and with bodies that are not highly credit-rated. No non-specified investments are included in the Investment Policy for this Council as these investments are not acceptable due to their higher potential risk.

4. Liquidity of Investments

- 4.1 The Responsible Finance Officer in consultation with either the Finance & General Purpose (F&GP) Committee or Full Council (as applicable) will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity and to ensure the Council’s cash flow requirements can be met.
- 4.2 Where appropriate to do so, and to benefit from a higher rate of interest, an instant access deposit account may be used for any surplus funds needed for current expenditure. A daily ‘feed’ or ‘sweep’ facility may be set up between the instant access account and the Council’s primary current account.

5. Long Term Investments

- 5.1. Long term investments shall be defined as greater than one year. The Council will use the same criteria for assessing long term investment as identified above for specified investments. The Council does not currently hold any long-term investments but will consider doing so if an investment product meets the criteria.

- 5.2. Funds not needed for current expenditure (i.e. General Reserves or Earmarked Reserves) may be placed on longer term investments, taking into account the cash flow requirements of the Council for the current financial year and ensuing financial year and the financial commitments contained within the Council's Business plan.

6. Risk Assessment

- 6.1 The Council's reserves are not covered by the Financial Services Compensation Scheme (FSCS) and must therefore be carefully managed to mitigate the risk of losses. The Council will only invest in institutions of "high credit quality" as set out in section 3.1 of this strategy.
- 6.2 The Council will keep under review its position in relation to whether it qualifies for protection under the FSCS and if applicable consider spreading the financial risk by placing investments with a number of different financial institutions to remain below the relevant qualifying FSCS threshold at the time.
- 6.3 All investments and deposits will be in pounds sterling (£) and placed with UK registered financial institutions. Wherever possible, these institutions will be included in the Financial Services Compensation Scheme (FSCS).
- 6.4 The Council will only invest in products such as Savings Accounts, Fixed Term Deposit Accounts, Fixed Savings Accounts and Notice Accounts until further review of the policy.
- 6.5 The Council will also have regard for the general economic and political environment in which institutions operate. The investment position will be reviewed annually by the Responsible Financial Officer (RFO) and reported to the F&GP Committee (or Full Council).
- 6.6 The Council does not employ, in-house or externally, any financial advisors but will rely on information which is publicly available and guidance from the RFO.

7. Investment Approval

- 7.1 The Council has delegated authority to the Executive Officer/RFO in conjunction with the Chairman and Vice Chairman of the Council, and/or Chairman and Vice Chairman of F&GP Committee to consider and make any short-term investments (maximum of twelve months) in accordance with the Investment Policy and move balances of funds between the Council's accounts accordingly.
- 7.2 Only the Council (Full Council) can consider and make long term investments greater than twelve months.

7.3 All resolutions relating to investments will be reported to and noted in the minutes of the F&GP Committee meetings (or Full Council Meetings).

7.4 The Council reserves the right to make variations to the Investment Policy at any time, subject to approval at Full Council.

8. Review

8.1 The Investment Policy will be reviewed by the Responsible Financial Officer (RFO) every 2-years or subject to a change in statutory guidance. Any variation to the policy will be submitted to the Council for approval.