

Nailstone Parish Council

Investment Strategy

1. Introduction.

This Investment Strategy complies with the revised requirements set out in the Department of Communities and Local Government *Guidance on Local Government Investments (3rd Edition)* and takes into account Section 15(1)(a) of the Local Government Act 2003 and guidance within Governance and Accountability for Local Councils *Practitioner's Guide 2018*.

An investment strategy is required for all investments expected to exceed £100,000.00 at any time during the financial year.

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.

Nailstone Parish Council ("the Council") acknowledges the importance of prudently investing the temporary surplus funds held on behalf of the community as part of its fiduciary duty.

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

2. Investment Objectives & Principles.

The Council aims to invest its reserves in order to maintain the value of these funds in real terms, to support future service delivery.

The Council is required to consider investments in line with the following principles:

- (a) Security – protection of the investment sum from loss of value and to minimise risk; and,
- (b) Liquidity – how quickly the invested funds can be encashed if required.

Once principles a) and b) have been determined, the Council can reasonably consider suitable investments to maximise the Council's income (yield).

The Council should consider the appropriate balance between security, liquidity and yield in relation to risk when making any investment decisions and in order to achieve the optimum return on investment.

All investments shall be made in the name of the Council and be deposited in sterling.

The decision to invest funds, and the choice of institution and length of the deposit must be made by the Council. The Council will aim to only invest in institutions with a high credit quality and low credit risk based on information from credit agencies, aiming for those with an 'A' rating. The institution's credit rating will be reviewed on a regular basis and at any time that further funds are to be invested.

The Council will consider spreading its investments across financial institutions to minimise risk and to protect its funds.

All investments will be with financial institutions, banks and building societies registered in the UK.

This Investment Strategy will be published on the Council's website.

3. Short Term Specified Investments.

Short term specified investments are defined as those offering high security and high liquidity, made in sterling and with a maturity of no more than 12 months. Short term investments made with the UK Government or to a local authority or Town/Parish Council will automatically be defined as specified investments.

For the prudent management of the Council's balances and in order to maintain adequate levels of security and liquidity the Council may choose to invest short term funds with banks, building societies, local authorities or other public authorities who are all based in the UK, and with other approved public sector investment funds.

4. Long Term Non-Specified Investments.

Non-specified investments are defined as any investments that do not meet the criteria of short term specified investments detailed in section 3. In general, non-specified investments have greater risk potential and include investments in money markets, stocks and shares.

Funds may be invested for periods of more than 12 months. In specifying the length of the investment, the Council's anticipated expenditure requirement over the proposed investment period will be assessed to ensure sufficient funds remain available.

The Council may place investments not required for current expenditure with long term non-specified investments with a maturity period of up to 5 years, at which point the investment objectives should be fully reviewed to determine whether the investment should continue.

The Council will determine the upper limits for the maximum amounts that can be held individually or accumulatively in non-specified investments and will confirm annually that the investments have remained within these limits.

The Council will seek the advice of an independent financial advisor prior to making any long-term investments, as part of the risk management process.

5. Risk Management & Monitoring.

A risk assessment is to be maintained for each investment, as recorded in the Council's annual risk assessment.

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

Investment performance reports provided by the investment institutions will be reported to the Council and reviewed as part of the annual budgeting process.

The Council will monitor the risk of loss on investments by reviewing credit ratings for the investment institutions at least annually. This will be achieved by asking the institutions to confirm their current credit rating.

The Parish Clerk, as Responsible Financial Officer, shall be the contact for the financial advisor and any other appointed counterparties and is authorised to deal with administrative matters and give instructions on behalf of the Council as necessary to protect the Council's investments.

6. End of Year Investment Report & Governance.

At the end of the financial year the Parish Clerk will report on all investments.

The Parish Clerk is responsible for bringing to the Council's attention any matters which may affect the security of the Council's investments. The Council is responsible for agreeing any course of action required to safeguard its investments.

The Investment Strategy must be reviewed annually by the Parish Council.

Any amendments required to the Investment Strategy must be approved by the Council prior to implementation. Amendments may be proposed at any time during the year.

7. Investment Strategy 2024-25

The Council will continue to use HSBC Bank as the primary banking provider.

The Council will ensure it has adequate cash resources, overdraft or standby facilities to enable it at all times to have the level of funds available which are necessary for the achievement of its service objectives.

Long-term investments are defined in the Guidance as greater than 12 months. The Council currently holds £20k as a general reserve and expects to receive £180k of community benefit funding as a long-term investment.

For the financial year 2024/25 the Council will invest as much of its balances as possible in low-risk products in order to achieve its investment objectives.

Investments may be made in the HSBC Bank plc Business Money Manager Account, the CCLA Public Sector Deposit Fund and the Redwood Bank Business Savings account.

Kerry Bates
Parish Clerk & Responsible Financial Officer
21st March 2024

This Strategy was adopted by Nailstone Parish Council on 27th March 2024
and amended on 29th May 2024