

## **027 - Rothley Parish Council**

### **Investment Strategy**

#### **1. Introduction**

1.1. HM Government has issued statutory guidance on local government investments, under section 15(1)(a) of the Local Government Act 2003, to take effect from April 2018. Under that section, local authorities including parish councils are required to 'have regard' to 'such guidance as the Secretary of State may issue'.

1.2. The guidance states that for each financial year, a local authority should prepare at least one investment strategy which should be approved by the full council and be made publicly available. The term 'investment' covers all financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit.

1.3. The guidance applies to parish councils whose investments exceed or are expected to exceed £100,000 at any time during the financial year. Where a parish council expects its investments to be between £10,000 and £100,000 it is encouraged to adopt the principles of the guidance.

#### **2. Key Principles of the Strategy**

2.1. The Parish Council will have regard to such guidance as the Secretary of State has issued and may issue.

2.2. The strategy is based on two major principles: security (protecting the Parish Council's funds from loss) and liquidity (ensuring funds are available when needed), plus a subsidiary principle of maximising yield (where consistent with security and liquidity).

027 This policy was adopted at Full Council on 16<sup>th</sup> March 2020, minute ref: 19/169  
Reviewed 17/05/2021 at the Full Council Meeting , minute ref: 21/355 – no amendments

2.3. Borrowing by the Parish Council is regulated by law. The Council is not allowed to borrow more than or in advance of its needs purely to profit from investment of borrowed funds.

### 3. Investments Covered by the Guidance

3.1. For the purposes of the guidance, Financial Investments are financial assets comprising Specified Investments, Non-Specified Investments and Loans.

3.1.1. Specified Investments are denominated in sterling, provide a right of repayment within one year and are not classified as capital expenditure under HM Government regulations. They are made with bodies or schemes of high quality, which may include the UK Government, local authority or other town/parish council.

3.1.2. Non-specified Investments are those that do not satisfy one or more of the Specified Investments criteria

3.1.3. Loans mean loans made to appropriate organisations as part of a strategy to promote local economic growth even if they may not all be seen as prudent if applying a narrow definition of prioritising security and liquidity.

3.2. For the purposes of the guidance, Non-Financial Investments are non-financial assets held primarily or partially to generate a profit. The Parish Council considers that its non-financial assets do not qualify as investments because they are held solely for community and/or operational reasons and not for any profit motive. This does not obviate the need for the Parish Council to ensure (a) it achieves value for money when acquiring or otherwise taking on a non-financial asset and (b) it monitors asset values to ensure adequate insurance cover is maintained. Non-financial assets are listed in the Parish Council's asset register which supports insurance cover maintained by the Parish Council; the register records both historic cost and insured replacement values.

### 4. Management of Parish Council Specified Investments

4.1. The Parish Council's Specified Investments comprise cash balances held in accounts with one or more recognised financial institutions. Cash balances are recorded

in the Parish Council's annual statement of accounts and in the externally audited annual return. These documents are published on the Parish Council website.

4.2. The Parish Council will maintain a bank current account for making and receiving payments; the selected bank account will need to meet the Parish Council's agreed operational and pricing requirements.

4.3. The Parish Council will hold one or more accounts for surplus funds.

4.4. Accounts will be selected according to the principles of security, liquidity and yield.

4.4.1. Security: The Parish Council will seek to protect surplus funds from loss by:

- opening accounts only with institutions of high quality, making reference to relevant sources of financial, economic and ratings information
- having regard to industry deposit protection schemes such as the Financial Services Compensation Scheme
- eliminating exchange risk by holding all balances in sterling
- making regular checks to ensure compliance with the relevant limits.

4.4.2. Liquidity: the Parish Council will seek to ensure sufficient funds are readily available to meet its expenditure commitments by holding sufficient surplus funds in accounts:

- from which transfers can easily be made to the Parish Council's current account, e.g. managed via on-line banking;
- which require no more than 95 days' notice to withdraw funds. Regular checks will be made to identify forthcoming payment requirements and to ensure appropriate funds are available.

4.4.3. Yield: When deciding where to hold surplus funds, the Parish Council will consider what yields are available. It will seek to maximise yield as long as the prudential objectives of security and liquidity are met.

## 5. Management of Parish Council Non-Specified Investments

The Parish Council may receive sums of S106 funding to meet the ongoing costs of maintenance of certain open spaces adopted by the Parish Council. In these circumstances the Parish Council may make longer term investments of up to 3 years in order to generate revenue to meet all or part of these costs. In order to adhere to the principle of prioritising security such investments will be made only with UK banks and/or building societies. In addition, as stated in paragraph 4.4.1, the Parish Council will have regard to industry deposit protection schemes such as the Financial Services Compensation Scheme and will distribute its investments so as to maximise security. To ensure adequate liquidity sufficient funds will be retained in instant access accounts to cover the maintenance costs for a period of at least 3 years.

## 6. Loans

6.1. Although the Parish Council does not normally make loans it is possible that from time to time the Parish Council's investments may include loans made to local enterprises, local charities, wholly owned companies or joint ventures as part of a wider strategy to enhance the local facilities, services and environment.

6.2. Requests for loans will be considered on a case by case basis and particularly against criteria of security and liquidity.

6.3. In particular, the following conditions will apply:

- The Parish Council must see satisfactory evidence of the borrower's ability to repay the loan
- The granting of any loan must be approved by the Full Council
- Any loan shall be documented by an agreement between the parties in writing, which shall include the term of the loan and repayment arrangements
- The total sum outstanding by way of Parish Council loans must be proportionate and within an overall limit for this type of loan that has been agreed by the Parish Council
- The Parish Council will account for any expected loss in accordance with the requirements of statutory guidance.

## 7. Capacity, Skills and Culture

7.1. The Parish Council commits to ensuring that members and staff involved in decisions relating to and management of investments have the relevant capacity, skills and information to make informed decisions as to whether to enter into a specific investment, to evaluate individual investments in the context of strategic objectives and to understand the impact of decisions on the overall risk exposure of the Parish Council.

7.2. The Parish Council will meet its commitment by providing training, using external advisers and reporting and communicating through appropriate communication channels.

## 8. Transparency and Democratic Accountability

8.1. This Investment Strategy shall be reviewed each year and presented for approval to Full Council; wherever possible, this shall happen before the start of each financial year.

8.2. Proposals for any material changes during the year will be presented to Full Council for approval.

8.3. This Investment Strategy and subsequent updates will be published on the Parish Council Website