

Broughton in Amounderness Parish Council

INVESTMENT STRATEGY POLICY

Adopted:

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1. Introduction

Broughton in Amounderness Parish Council acknowledges the importance of prudently investing the temporarily surplus funds held on behalf of the community.

All investments will be made in line with the Council's financial procedures and observations or advice received from the Council's internal and external auditors. The Council does not usually employ financial advisors but will rely on information which is publicly available.

2. Council Duties

- a) This investment strategy is in accordance with:
 - i. The Local Government Act 2003, section 15 and supporting regulations
 - ii. Governance and Accountability for Smaller Authorities in England, A Practitioners' Guide to Proper Practices document (to be applied in the preparation of statutory annual accounts and governance statements) written by the Joint Panel on Accountability & Governance (March 2018)
 - iii. Guidance on local government investments issued by Ministry of Housing, Communities and Local Government with effect from 1 April 2018.

- b) The Guidance states:
 - i. Where a parish council expects its investments at any time during a financial year to exceed £100,000, the Guidance should apply in relation to that year.
 - ii. Where a parish council expects its investments at any time during a financial year to exceed £10,000 but not £100,000, it should decide on

the extent, if any, to which it would be reasonable to have regard to the Guidance in relation to that year.

- iii. Where a parish council expects its investments at any time during a financial year not to exceed £10,000, no part of the Guidance need be treated as applying in relation to that year.

- c) It is unusual for an authority to hold its reserves other than in the form of easily accessible bank deposits or other short-term investments. These are only used to maximise income from cash balances during the financial year. Occasionally, circumstances require consideration in making other types of investments, for example when saving for a future capital project or while deciding how to apply the proceeds of an asset sale or a donation.

- d) The Council will ensure it has adequate though not excessive 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.

3. Definition

- a) Easily accessible accounts are classed as accounts which do not require more than 90 days' notice to access the funds.
- b) Specified investments are those offering high security and high liquidity, made in sterling and maturation of no more than a year.
- c) Non-specified investments: these investments have greater potential risk such as investments in the money market, stocks and shares.
- d) Long-term investments, defined as greater than 24 months.

4. Investment Objectives

- a) To appropriately invest any amounts surplus to requirements
- b) To invest prudently to ensure the security of the principal sums
- c) Priority will be given to the security and liquidity of its reserves.

- d) To withdraw monies first from the least secure or higher rated investment funds/banks.
- e) To aim to maximise income from its investments whether specific or non-specific commensurate with the proper levels of security and liquidity.
- f) The Government maintains that borrowing of monies purely to invest, or to lend and make a return, is unlawful and Broughton in Amounderness Parish Council will not engage in such activity.

The Council will only agree to borrowing for specific capital projects (as defined in Section 16 of the Local Government Act 2003, it will need to gain approval for borrowing by sending an application to the National Association of Local Councils (NALC). All such borrowing applications must be approved by full council and for the benefit of the community and not with the sole intent of profitability.

5. Specified Investments

- 5.1 The Council will invest its reserves in specified investments which are defined by the Guidance as investments that are:
 - I. denominated in sterling and any payments or repayments in respect of the investments are payable only in sterling
 - II. that have a period to maturity of no more than 12 months
 - III. not defined as capital expenditure (essentially this precludes investment in share or loan capital of any corporate body)
 - IV. made with a body or in an investment scheme which has been awarded a high credit quality (see below) or is made with the UK Government or a Local Authority.
- 5.2 The Council will only invest in Specified Investments as defined above.
- 5.3 For the avoidance of doubt, the Council will invest balances which are surplus for in short term deposits with one or more of the UK Government, UK banks and/or building societies or other local authorities, provided that the credit rating of such institution satisfies the minimum credit ratings specified below.
- 5.4 Decisions on investments within this strategy will be made by Full Council.

6. Types of Investment

- a) Specified Investments: For prudent management of its treasury balance, maintaining sufficient levels of security and liquidity, Broughton In Amounderness Parish Council will use:
 - I. UK banks and UK building societies
 - II. Public Bodies (including the UK Government and local authorities)
 - III. UK FCA regulated qualifying money market funds with a triple A rating
 - IV. Other recognised funds specifically targeted at the Public Sector
- b) Long term treasury investments: Long term treasury investments shall be defined as greater than two years. The Council will use the same criteria for assessing long term investment as for short term investments. Should the Council wish to invest for periods greater than two years, it must identify the procedures for monitoring, assessing and mitigating the risk of loss of invested sums before committing to such an investment.
- c) Non-specified treasury investment: These investments have greater potential risk – examples include investments in money markets, stocks and shares. Given the unpredictability and uncertainties surrounding such investments, the Council will not usually use this type of investment.

7. Acceptable Level of Credit Ratings (Risk)

7.1 The required level of Credit Rating for UK Banks and Building Societies is 'A' or above from Standard.

- I. Unity Trust Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority. Unity Trust Bank is entered in the Financial Services Register under number **204570**.
- II. CCLA is authorised and regulated by the Financial Conduct Authority and is entered in the Financial Services Register under number **119281**.

The Council is satisfied as to its levels of capital and liquidity.

8. Investment of Money Borrowed in Advance of Need

In the unlikely event of money being borrowed in advance of need, it will be invested in specified investments in accordance with this strategy.

9. Review and Amendment of Regulations

The Investment Strategy will be reviewed annually. The Annual Strategy for the coming financial year will be prepared and reviewed by Full Council.

The Council reserves the right to make variations to the Strategy at any time, subject to the approval of the Full Council.

10. Transparency

The Strategy should be publicly available on the Councils website.