

Investment Policy

Adopted on April 17th, 2023

1. Introduction

- 1.1 This policy is based on the SLCC Model Investment Policy © Copyright 2019 which members use and adapt within their own councils on the understanding that the copyright remains with the SLCC. (The Society of Local Council Clerks is a company limited by guarantee and registered in England and Wales with company registration number 10566132. Registered office: 8, The Crescent, Taunton, Somerset TA1 4EA).
- 1.2 The Clerk has considered the SLCC's model policy content carefully and adapted it to meet Fernwood Parish Council's circumstances including adding Statutory Guidance on Local Government Investments (3rd Edition) Issued under section 15(1)(a) of the Local Government Act 2003 Appendix 1 contains the SLCC's guidance notes.
- 1.3 This policy is created under guidance issued by the Secretary of State for Communities and Local Government in accordance with the Local Government Act 2003. The extant guidance was issued by DCLG in 2010.
- 1.4 Fernwood Parish Council acknowledges its responsibility to the community and the importance of prudently investing any reserves held by the Council.

2. Objectives

- 2.1 The general policy objective of the Council is prudent investment of its balances. The Council's investment priorities are:
 - (i) Security of reserves and then
 - (ii) Liquidity of investments
- 2.2 The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

3. Investment Policy

- 3.1 The Parish Council shall diversify its reserves between multiple relatively highly rated UK banks and building societies and by appointing Charities, Churches and Local Authorities Investment Management Ltd. (CCLA), for investment of surplus funds. The Parish Council shall only use specified investments as defined by DCLG guidance.

3.2 No investment shall be held with the council's current bankers.

3.3 The Parish Council shall only invest with banks/building societies which it defines as "High Credit Quality". This being those with a credit rating of A with Moody's Investors Service or BBB with Standard and Poor's or Fitch Ratings Ltd.

3.4 Investments shall be decided and placed by the Responsible Financial Officer having used due diligence including as a minimum finance search engines and ratings agencies.

- a. This shall be under the Full Council
- b. The actual movement of money shall be by the usual authorised signatories.

3.5 The procedure for undertaking investments, considering the need for timely and speedy placing of deals) shall be documented by the Responsible Financial Officer and approved by the Full Council before any investments are placed.

3.6 The Responsible Financial Officer shall review credit ratings of organisations in which the Council holds investments on an annual basis. Should the credit rating of an organisation fall below that specified under 3.3, the Responsible Financial Officer shall consult the Banking and Investments working group and take the appropriate action.

3.7 A summary of current investments can be found in Appendix 2.

4. Revision

4.1 Any revisions to this policy shall be approved by the Full Council.

4.2 The Full Council review this policy annually.

4.3 Notwithstanding 4.2 this policy shall be reviewed in the event the Bank of England increases its base rate above 3% or the Financial Services Compensation Scheme is extended to cover the Parish Council.

ADVICE NOTE: Investments (England only)

1. This Advice Note applies only to parish and Parish councils in England.
2. Councils have the power to invest for any purpose relevant to their functions under any enactment, or for the purposes of the prudent management of their financial affairs (section 12 of the Local Government Act 2003, the '2003 Act').
3. The Government has issued guidance on local government investments under section 15 of the 2003 Act ('the Guidance') and this has statutory force. The latest edition, which applies for accounting periods starting on or after 1 April 2018, can be found at <https://www.gov.uk/government/publications/capital-finance-guidance-on-local-government-investments-second-edition> Clerks/RFOs should download and read both the Guidance and the 'informal commentary' annexed to it.
4. The Guidance is mandatory where investments of a parish or Parish council exceed or are expected to exceed £100,000 at any point in a financial year (see paragraph 14 of the Guidance on page 2). Note that this is a lower limit than for the previous edition (see paragraph 11 of the non-statutory commentary on page 10). Parish or Parish councils where investments are expected to exceed £10,000 are encouraged to adopt the principles in the Guidance.
5. 'Investment' in the Guidance is very widely defined (see paragraph 4 of the Guidance on page 1) and includes non-financial investments such as property investments. It follows that where councils own or lease property they need to be clear as to whether the property is held for the purposes of enabling the council to perform its functions or as an investment. This can be a difficult decision where a council expects or hopes to make a profit from property ownership.
6. Where the Guidance is mandatory, or where a council has adopted the principles in the Guidance, the council must, at a Full Council meeting, adopt an investment strategy for each financial year (see paragraphs 15-19 of the Guidance on pages 2-3 and paragraphs 12-17 of the non-statutory commentary on pages 10-11).
7. The key paragraphs in the Guidance are paragraphs 26-29 on page 4, discussing security, liquidity and yield. Yield should always be a much less important factor than security and liquidity.
8. A parish or Parish council has a number of powers to make loans to organisations and this is covered in paragraph 33-34 of the Guidance on page 5 and paragraph 27 of the non-statutory commentary on page 14. However as local councils do not publish a balance sheet there is no financial benefit to a local council in making a loan and it may put pressure on the borrower: it may be in everyone's interest to make a grant instead.
9. All councils need to have regard to paragraphs 48-50 of the Guidance (on page 8) and paragraphs 38-40 of the non-statutory commentary (on page 16) on capacity, skills and culture. With more devolution of services and assets to local councils many councils may want to consider whether a higher degree of professionalism is required.

Appendix 2: Current investments (31/3/23)

Institution	Type of Account	Term (End date)	Date of investment	Rate of interest at time of investment Gross/AER	Current Rate of interest Gross/AER	Amount invested
CCLA	Public sector deposit fund	Indefinite Instant access	Various	Various deposit dates	3.9060% (28/2/22)	£1,120,000
Virgin Money	24 months business account	2 years 7/11/24	7/11/22	2.2%	2.2% Fixed rate	£85, 000