

Ninfield Parish Council

Annual Investment Strategy Policy

INTRODUCTION

This policy sets out the treasury management procedures for the monitoring of the cash flow and banking arrangements of Ninfield Parish Council (The council). The council acknowledges the importance of prudently investing for temporarily available or longer term earmarked reserves and surplus funds on behalf of the community and providing residents with investment and strategy details adhering to transparency and democratic accountability requirements.

The Council has had regard to the Statutory Guidance on Local Government Investments produced by the Department for Levelling Up, Housing and Communities (DLUHC) and Chartered Institute of Public Finance and Accountancy's (CIPFA's) Treasury Management in Public Services: Code of Practice and Cross Sectoral Guidance Notes for Local Authorities take account of S15(1)(a) of the Local Government Act 2003.

The Guidance states:

- Where a Town or 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.
- Where a Town or 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.
- Where a Town or 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

The council expects its investments during the 2025-26 financial year to exceed £100,000 and therefore has agreed to apply the Guidance as set out below.

This Annual Investment Strategy states which investments that the council may use for prudent management of its treasury balances during the financial year

OBJECTIVES

The Council's priorities are, in the following ranked order:

- The security of capital to minimise the risk of losses.
- The liquidity of investments to meet the cash flow needs of the council.
- Maximising income within the framework of the national economic situation.

The council will aim to achieve a high rate of return on investments commensurate with adequate safeguards of security and liquidity.

INVESTMENTS

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

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 treasury balances, maintaining sufficient levels of security and liquidity, the Council could use:

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

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. Non-specified investments are not included in the Investment Strategy for this Council as these investments are not acceptable due to their higher potential risk.

All investments and deposits will be held with UK registered banks and building societies or with Churches, Charities and Local Authorities Investment Management Ltd (CCLA). All investments, deposits and interest will be in £ sterling. The investment is not defined as capital expenditure by virtue of Regulation of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended).

Investments for current expenditure will be on instant access deposit accounts.

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.

Investments not required for current expenditure i.e. the general reserve may be placed on longer term deposits of up to 2 years if considered prudent.

Investments not required for current expenditure i.e. earmarked reserves may be placed on medium term deposits not exceeding 1 year.

RISK ASSESSMENT

The Parish Council’s reserves are covered by the Financial Services Compensation Scheme up to the deposit limits of the scheme 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 above. Investments will be spread over different providers where appropriate to minimise risk. The Council will monitor the risk of loss on investments by reference to credit ratings. The Council should aim for ratings equivalent to the Fitch F1 (AAA) rating for short-term investments or Fitch A - for long term investments. The Council will also have regard for the general economic and political environment in which institutions operate.

Where cash and investment balances held with a UK bank or building society exceed the FSCS limit the Finance Committee must consider, at least annually, whether or not this is an acceptable level of risk for the council to take in the current financial and economic conditions. The decision must be reported back to Full Council at the next meeting. If the Finance Committee do not consider that this is an acceptable level of risk, it must also provide a plan to mitigate the exposure to Full Council at that time.

In order to maintain sufficient security and liquidity the council will manage any surplus funds mainly through CCLA's Public Sector Deposit Fund, which provide an optimal rate of interest

It is not envisaged that any investments of a capital expenditure nature will be entered into during 2025 - 2026

INVESTMENT STRATEGY TO BE FOLLOWED.

The RFO in consultation with the Finance Committee will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity. It will then be presented to Full Council for formal approval.

The council will retain not less than three month's average working capital (revenue) requirement in the current and instant access accounts giving immediate access

Amounts representing the balance on Earmarked Reserve at the beginning of the financial year may be placed on deposit of up to one year's duration depending on the prevailing interest rates and projects requiring release of the funds.

Any other funds may be placed on deposit of up to one year's duration, depending on the prevailing interest rates and forecast cash flow requirements.

SPC will not make any loans to any organisations, businesses or individuals for any reason.

BORROWING

The DLUHC maintains that the borrowing of monies purely to invest or to lend and make a return is unlawful and the council will not engage in such activity.

The council recognises that there are other methods of raising resources for capital financing, other than borrowing, including use of Reserves, Government grants, Lottery funding, leases and capital contributions from other partners and stakeholders.

Wherever possible the Council will seek external funding towards capital projects. Local Council borrowing is governed by Schedule 1 of the Local Government Act 2003. Borrowing may only be entered into for a purpose that would be capital expenditure as defined in S16 of the Local Government Act 2003 and the decision must be made by the full Council. The requirement to borrow will be reviewed annually as part of the budget process. The Council is only likely to borrow

if it deems that the benefits of borrowing outweigh any risks and where the benefit of the investment matches the period of repayment.

REVIEW

This policy will be reviewed by the **Finance Committee** on an annual basis. Any variation to the policy will be submitted to Full Council for approval.
The Council reserves the right to make variations to the Strategy at any time, subject to the approval of the Full Council.

Adopted	Reviewed	Next Review
April 2025		April 2026