

**South Wonston Parish Council**  
**Investment and Strategy Policy**

Adopted by South Wonston Parish Council 13<sup>th</sup> May 2024

**INTRODUCTION**

This policy and strategy is based on HM Government's Statutory Guidance on Local Government Investments (Secretary of State) 3<sup>rd</sup> edition 2018 and the Governance and Accountability for Smaller Authorities in England 2019. It will be amended as necessary to accord with HALC's latest Model Financial Regulations when they are published in May 2024. It also takes into account the Transparency Code for Smaller Authorities 2015 and the Prudential's Code of Conduct: Making the Right Choices. Under s.15 (1) (a) of the Local Government Act 2003, Parish Councils are required to "have regard" to the Secretary of State's guidance.

The guidance applies to Parish Councils and other Local Authorities, providing their total investments exceed or are expected to exceed £100,000 at any point of the financial year and is effective for financial years commencing on or after 1<sup>st</sup> April 2018. Where a Parish Council expects its total investments to be between £10,000 and £100,000, it is encouraged to adopt guidance principles.

**STRATEGY 1**

The Parish Council will prepare an investment strategy to be approved in Full Council and made publicly available. The investment strategy will set out the management arrangements for investments held and procedures for determining the maximum periods for which funds may be prudently committed. It will ensure and demonstrate that the Parish Council has properly assessed the risk to its investments and is acting in compliance with legislative requirements. If necessary, it will seek independent professional advice when developing its investment strategy. The investment policy and strategy will be reviewed annually and presented for approval to the Full Council prior to the start of every financial year. Updated versions will appear on the Parish Council website.

**TYPES OF INVESTMENT COVERED BY STATUTORY GUIDANCE**

The term "investment" covers all a Parish Council's potential financial assets. Specified financial investments are of limited duration, dealt with in sterling only, not classed as capital expenditure, made with a reputable body.

Loans can be applied for by the Parish Council which may also make loans.

Non-specific investments are not loans and do not meet the criteria for specified financial investments. They can be risky.

Non-financial investments are held primarily or partially to generate profit. They are tangible assets which could be sold to recoup invested capital.

**STRATEGY 2**

This section is based on the three major principles of security (protecting the sum invested from loss), liquidity (ensuring funds are available for expenditure when needed) and yield (the percentage earned from a specified deposit).

The Parish Council's specified investments are the cash balances held in its Lloyds Bank Current Account and its Co-Op Deposit Account, to be joined by a Unit trust Deposit Account. These are managed by the Responsible Financial Officer (Clerk, who holds both posts) in accordance with Financial Regulations and other statutory obligations.

The Parish Council holds its tangible assets for the benefit of the community and operational purposes and not with the intention of selling them for profit. This does not prevent the Parish Council from achieving value for money if acquiring or taking on a non-financial asset or monitoring asset values to ensure adequate insurance cover is maintained. Non-financial assets are listed in the Parish Council's Asset Register which underlies the insurance cover kept up by the Parish Council.

The Parish Council will seek to prevent its funds from loss by:

- Diligently researching the financial stability and performance of banks under consideration for opening accounts
- Taking into account the industry deposit scheme (the Financial Services Compensation Scheme)
- By holding all balances in sterling, eliminating the exchange risk
- Making regular checks to ensure compliance with safeguarded limits.

The Parish Council will seek to preserve liquidity by:

- Determining the maximum periods for which funds may prudently be committed, making these known and adhering to those limits
- Ensuring sufficient funds are readily available to meet its expenditure commitments by holding surplus funds in accounts from which transfers can easily be made to the Parish Council's current account and which require no more than 0 days' notice to withdraw money
- Making regular checks to identify forthcoming payment requirements and ensuring appropriate funds are available
- The Parish Council will seek to maximize yield by:
- Considering the yields available from a variety of deposit accounts
- Choosing the greatest possible yield commensurate with the prudential objectives of security and liquidity.

### **STRATEGY 3**

The Responsible Financial Officer (Clerk) prepares a Risk Management Schedule for all Parish Council activities, including the financial activities and a Risk Assessment of Financial Systems Internal Controls in association with the Final Audit Report. Any new activity, for example a further specified investment, will be assessed and the draft presented to Full Council for approval.

In its Risk Assessment for a new specified investment, the Parish Council will:

- Diligently assess the market
- Calculate the possible effects of fluctuating value

- Seek specialist help from its own advisers and from other sources deemed reliable by reviews and the opinion of the relevant professional organisation.
- The Parish Council will only proceed to enter into an investment if it is satisfied that the key objectives of security, liquidity and yield have been met, if it has sufficient funds and its own priorities and service objectives will be achieved.

## **BORROWING**

Parish Councils may borrow temporarily for cash flow to fund repayments in advance of receiving money from the precept. This normally takes the form of an arranged overdraft to be repaid as soon as the anticipated receipts materialize. Long term loans normally associated with capital projects require borrowing approval. Local councils must apply to the relevant Association of Local Councils which acts for HM Government in this regard. Traditionally loans are obtained from the Public Works Loan Board (PWLB). Other lenders necessitate professional advice.

Local councils must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. Where a council chooses to disregard the Prudential Code and Guidance and borrows purely to profit from the investment of extra cash, the Financial Strategy must explain why the council decided to disregard the Guidance and Prudential Code with reference to its policies for investing borrowed money, including risk management, especially the prospect of not achieving the desired profit or the possibility of increased borrowing costs.

## **STRATEGY 4**

The Parish Council currently has a loan from the PWLB which is being paid off in accordance with a Half Yearly Loan Repayment Scheme.

## **CAPACITY, SKILLS and CULTURE**

The Parish Council will confirm the steps taken to make sure elected members and statutory officer (Clerk) involved in the creation of investments have the appropriate capacity, skills and information to take informed decisions whether to enter into specific investments, to evaluate individual investments in the context of strategic objectives and understand the impact of decisions on the overall risk exposure of the Parish Council. Those negotiating deals must be aware of the core principles of the Prudential Code and the Financial Regulations and Governance and Accountability guidance under which the Parish Council operates. Where appropriate, the Parish Council will comment on corporate governance arrangements to ensure accountability, responsibility and authority for decision-making on investment activities within the context of the Parish Council's corporate values.

## **STRATEGY 5**

The Parish Council Clerk is the Responsible Financial Officer and is the first resort of elected members for advice about legal powers and whether they are current, applicable and correct. The Responsible Financial Officer will make elected

members aware of any new legislation or regulations and direct them to update sources and training opportunities. provided by the Hampshire Association of Local Councils.

### **TRANSPARENCY AND ACCOUNTABILITY**

The Parish Council does not qualify for the Transparency Code for Smaller Authorities or the Local Government Transparency Code 2015 in that its annual turnover is more than £25,000 but less than £200,000.

### **STRATEGY 6**

The Parish Council will follow the principles of the Transparency Code for Smaller Authorities and ensure its accounting practice is fully compliant with current regulations and will be kept up to date with future versions.

### **THIS POLICY**

The investment policy and strategy will be reviewed annually and presented for approval to the Full Council prior to the start of the financial year. The policy and any subsequent updates approved in Full Council will be published on the Parish Council website.