

Investment & Reserves Policy – 2024/25

This policy sets out the Parish Council's procedures for the following:

- Types and levels of investment
- Identifying the target for our general reserves.

1. Introduction

1.1 Kings Worthy Parish Council (the Council) recognises and fully embraces the importance of proper and prudent investment of funds held by the Council, on behalf of Parishioners.

This policy complies with the revised requirements set out in the Statutory Guidance on Local Government Investments (3rd edition), issued under section 15(1)(a) of the Local Government Act 2003.

The Council defines its investment and reserve management duties as “the management of the Council's cash flows, its banking and investment transactions, the effective control of the risks associated with those activities, and the pursuit of best value performance consistent with those risks.”

For the purpose of this policy, the term investment will also apply to fixed term deposits.

2. Investment Objectives

2.1 The Council's investment priorities are:

- The security of its reserves, and
- The adequate liquidity of its investments, and

The return on investment – The Council will aim to achieve the maximum return on its investments whilst operating under the priorities listed above.

3. Investment Policy

- 3.1** This strategy establishes the Council's objectives, practices and reporting arrangements for the effective management of the Council's investments and reserves, including the associated risks.
- 3.2** All investments will be made in pound sterling.
- 3.3** The Ministry of Housing, Communities & Local Government maintains that the borrowing of money purely for the purpose of making a return, via either investment or further lending, is unlawful and the Council will not engage in such activity.
- 3.4** To minimise risk the Council will ensure that before entering into any investment, the investment firm is registered and authorised with the Financial Conduct Authority, as well being covered under the Financial Services Compensation Scheme (FSCS). This will also apply to bank accounts used to hold the Council's reserves.
- 3.5** Any investments to be made over the FSCS deposit limit, or without FSCS protection, will be subject to a credit rating score before the investment is to take place. This will be obtained from one of the following credit rating agencies:
Standard and Poor's, Moody's Investors Service and Fitch Ratings.
- 3.6** Investments will be spread over different providers where appropriate to minimise risk.
- 3.7** A significant percentage of the Council's bulked reserves shall be placed on interest bearing term/notice deposits.

- 3.8** To retain liquidity these shall be placed with phased access dates to ensure there will always be some accessible sooner than others.
- 3.9** No investment shall be for a period of more than 12 months.
- 3.10** Investments shall be decided by the Finance, Administration & Remuneration committee, in conjunction with the Responsible Finance Officer.
- 3.11** The actual movement of money shall be by the usual authorised signatories.
- 3.12** Any searches or credit checks carried out shall be approved and authorised by the Finance, Administration & Remuneration committee before any investments are placed.

4. Specified investments

- 4.1** Specified investments are those offering high security and high liquidity, made in sterling and with a maturity of no more than a year. Such short-term investments will automatically be Specified Investments.
- 4.2** The Council, for prudent management of its treasury balances may use:
- Fixed Term/variable rate (notice) deposits with FCA authorised banks.
 - Public sector investment funds (such as the Public Sector Deposit Fund)
- 4.3** The choice of institution and length of deposit (subject to the limits laid out above) will be at the approval of the Council.

5. Non-specified investments

- 5.1** These investments have greater potential risk, examples include investment in the money market, stocks and shares. Given the unpredictability surrounding such investments, the Council will not use this type of investment, other than the Public Sector Deposit Fund mentioned above.

6. Liquidity of investments

- 6.1** The Finance, Administration & Remuneration committee, in consultation with the Responsible Finance Officer, will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.
- 6.2** Investments will be regarded as commencing on the date the commitment to invest is entered into, rather than the date on which the funds are paid over to the counterparty.

7. Long term investments

- 7.1** Long Term Investments are defined in the Guidance as greater than 12 months.
- 7.2** The Council does not currently hold any funds in long term investments and none are currently envisaged.

8. Investment strategy 2024-25

- 8.1** For 2024-25, the Council will invest as much of its balances as possible in a low-risk product, in order to achieve its investment objectives.

8.2 The 2024-25 target for net assets will be 4-5 months of net revenue expenditure (see analysis below).

Core Expenditure Analysis	
Total Core Expenditure	£212,877.94
50% balance for net assets	£98,554.40

9. End of year investment report

9.1 Investment forecasts for the coming year will be accounted for when the budget is prepared. Investment returns will be reported by the Responsible Finance Officer as part of the monthly accounts.

10. Review and amendments of regulations

- 10.1** The Investment & Reserves Policy must be reviewed annually by the Finance, Administration & Remuneration Committee and any recommended changes approved by Full Council.
- 10.2** The Council reserves the right to make variations to the Investment Strategy at any time subject to the approval of the Council. Any variations will be made available to the public.