

HOLME VALLEY PARISH COUNCIL



Investment Strategy - 2018-19

1. Introduction

1.1 The Investment of surplus funds by local authorities is governed by the Local Government Act 2003, section 15(1)(a) and Statutory Guidance issued by the Secretary of State under that Act (3rd Edition) for financial years commencing on or after 1 April 2018.

1.2 Investments below £10,000 are not subject to the Guidance but the Guidance is now mandatory for Local (parish/town) Councils where investments exceed or are expected to exceed £100,000 in the financial year (formerly £500,000), for accounting periods starting on or after 1 April 2018.

1.3 The Guidance recommends that a council produces an Annual Investment Strategy which sets out its policy for managing the investments and giving priority to the liquidity and security.

1.4 A 'Specified Investment' is one which is made in sterling, is not long term (less than 12 months) not defined as capital expenditure and is placed with a body which has a high credit rating or made with the UK Government, a UK Local Authority or a parish or community council.

1.5 Any other type of investment is considered 'Non Specified Investment' to which there can be greater risk and where professional investment advice might be required.

1.6 Local authorities should keep strategies simple and maintain prudence at all times.

2. Strategy

2.1 Holme Valley Parish Council acknowledges the importance of the prudent investment of any temporarily surplus funds held on behalf of the community.

2.2 This Strategy complies with the revised requirements set out in the Office of the Deputy Prime Minister's *Guidance on Local Government Investment* and Chartered Institute of Public Finance and Accountancy's *Treasury Management in Public Services: Code of Practice and Cross Sectoral Guidance Notes* and takes account of the Section 15(1)(a) of the Local Government Act 2003 as may be amended.

2.3 This Strategy should be read in conjunction with the Council's Financial Regulations.

2.4 This Strategy should be reviewed and approved by the full Council on an annual basis, ideally prior to the start of the financial year. Any material changes proposed to it during the year should be presented to full Council for consideration.

2.5 This Strategy should be publicly available on the Council's website.

3. Investment Objectives

3.1 In accordance with Section 15(1) of the 2003 Act, the Council will have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may, by regulations, specify.

3.2 The Council's investment priorities will be centred on the security of reserves (protecting the capital sum from loss) and then liquidity of its investments and reserves (keeping the money readily available for expenditure when needed).

3.3 The Council will seek the highest rate of return (yield), consistent with the proper levels of security and liquidity.

3.4 All investments will be made in sterling.

3.5 The Council will carry out quarterly cash flow forecasts to ascertain expenditure commitments for the coming financial year.

3.6 On the basis of that cash flow forecast, the Council will only invest in:

- 'Specified' investments or in
- 'Non Specified Investment' including longer term investment i.e. 12 months or more, but which still offers the greatest security
- Bodies with high credit ratings.

4. Specified Investments

4.1 For the prudent management of its treasury balances, maintaining sufficient levels of security and liquidity, the Council will use deposits with banks, building societies, local authorities or other public authorities.

4.2 As of 1st April 2015, the Council will continue to hold its money in a current account with the HSBC bank and will receive interest at the current rate.

4.3 Short-term investments will be with any of the following, depending on the interest yield at the time of the investment:

- (a) Kirklees Council (interest of 0.25% received 6-monthly)
- (b) Bank of Scotland (interest between 1.1% and 1.25%, depending on term of investment)
- (c) Svenska Handelsbanken (interest of 0.55% paid on 35-day notice account – minimum deposit £25,000).
- (d) CCLA (Churches, Charities & Local Authorities) (interest of 0.4457%, funds accessible within 2 days, minimum deposit £25,000).

5. Non-Specified Investments

These have greater potential risk such as investment in stocks and shares and the Council will not participate in such investments, which are considered not to offer the level of security and liquidity needed.

6. Liquidity of Investments

The Clerk/Responsible Finance Officer will liaise with the Chairman of the Finance & Management Committee to determine the maximum period for which funds may prudently be invested, so as to not compromise liquidity. Their recommendations will be made to the Finance & Management Committee for approval of any new investments or re-investments.

7. Short-Term Investments

7.1 Short-term investments are defined as up to 3 months.

7.2 Currently the Council does not hold any short-term investments, but may invest short-term in the future if a short lead-time is known on any specific project/activity, to maximise yield, as long as there is no risk.

8. Mid-Term investments

8.1 Mid-term investments are defined as between 3 and 12 months.

8.2 The Council currently holds a number of mid-term investments.

8.3 No investment beyond 12 months may be made without a resolution of the full Council.

Version Control:

Originally approved and adopted by the Council on 25 January 2016 (Minute No. 15 267 refers)
1819_01 – Approved and adopted at Annual Council – 14 May 2018