

# POLSTEAD PARISH COUNCIL

## Investment Policy

### 1. INTRODUCTION

- 1.1 This policy sets out the treasury management procedures for the monitoring of the cash flow and banking arrangements of Polstead Parish Council.
- 1.2 Authority reference is to the Council's Financial Regulations.
- 1.3 The Local Government Act 2003 Section 12 provides the power to invest:
- for any purpose relevant to its functions under any enactment or
  - for the purpose of the prudent management of its financial affairs.
- Section 15(1) of the Act requires a local authority to have regard:
- to such guidance as the Secretary of State may issue (Statutory Guidance on Local Government Investments - 3<sup>rd</sup> Edition effective 1<sup>st</sup> April 2018), and
  - to such other guidance as the Secretary of State may by regulations specify for the purposes of this provision.
- 1.4 The Council acknowledges its duty of care to the community and the prudent investment of funds.

### 2. OBJECTIVES

- 2.1 The Council's priorities are, in the following ranking 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.
- 2.2 The Council will aim to achieve a high rate of return on investments commensurate with adequate safeguards of security and liquidity.
- 2.3 The borrowing of money purely to invest or to lend and make a return is not allowed and the Council will not engage in such activity.
- 2.4 The Council will monitor the risk of loss on investments by review of credit ratings on a regular basis. The Council will only invest in institutions of high credit quality – based on information from credit rating agencies (as defined).
- 2.5 Investments will be spread over different providers where appropriate to minimise risk.

### 3. INVESTMENTS

#### Definition of an Investment

- 3.1 The definition of an investment covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations.

#### Investment Objectives

- 3.2 This Investment Strategy has the following objectives in priority order: • Security – protecting the capital sum invested from loss • Liquidity – ensuring the funds invested are available for expenditure when needed • Yield – income return on the investment.

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### **Specified Investments**

- 3.3 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 made with the UK Government or a Local Authority (as defined) or a Town/Parish Council will automatically be Specified Investments.
- 3.4 The Council, for prudent management of its treasury balances may use - Treasury Deposits with UK clearing banks - Local Authorities or other Public Authorities approved public sector investment funds.
- 3.5 The choice of institution and length of deposit will be at the approval of the full Council.
- 3.6 The Council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

### **Non-Specified Investments**

- 3.7 A non-specified investment are non-financial assets that the organisation holds primarily or partially to generate a profit. Where a local authority holds a non-financial investment, it will normally be a physical asset that can be realised to recoup the capital invested.
- 3.8 These investments have greater potential risk – examples include investment in the money market, stocks and shares. Given the unpredictability and uncertainty surrounding such investments the Council will not use this type of investment.

### **Liquidity of Investments**

- 3.9 The Council in consultation with the Responsible Financial Officer (RFO) will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.
- 3.10 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.

### **Long Term Investments**

- 3.11 Long Term Investments are defined in the Guidance as greater than 36 months.
- 3.12 The Council does not currently hold any funds in long term investments.

## **4. REPORTING**

- 4.1 The management of this policy will be by the RFO and reported to quarterly Council meetings held in June, September, December and March.

## **5. REVIEW**

- 5.1 This policy will be reviewed by the Council on an annual basis prior to the start of the new financial year.

## **6. PUBLICATION**

- 6.1 A copy of this policy will be made available on the Council's website.

This policy was adopted by Polstead Parish Council on the 18<sup>th</sup> June 2020