



## **Cranbrook & Sissinghurst Parish Council Investment Policy**

### **1. Introduction**

1.1. HM Government has issued statutory guidance on local government investments, under section 15(1)(a) of the Local Government Act 2003. Under that section, local authorities including parish councils are required to 'have regard' to 'such guidance as the Secretary of State may issue'.

1.2. The guidance states that for each financial year, a local authority should prepare at least one investment policy which should be approved by the full council and be made publicly available. The term 'investment' covers all financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit.

1.3. The guidance is effective for financial years commencing on or after 1 April 2018. It applies to parish councils whose investment of surplus funds exceed or are expected to exceed £100,000 at any time during the financial year. Surplus funds are defined as funds not earmarked for specific projects or budgeted funds for planned expenditure.

### **2. Key Principles of the Policy**

2.1. The Parish Council will have regard to the guidance as the Secretary of State has issued and may issue.

2.2. The policy is based on two major principles of security (protecting the Parish Council's funds from loss) and liquidity (ensuring funds are available when needed), plus a subsidiary principle of yield (where consistent with security and liquidity).

2.3. Borrowing by the Parish Council is regulated by law. The Council is not allowed to borrow more than or in advance of its needs purely to profit from investment of borrowed funds.

### **3. Investments Covered by the Guidance**

3.1. For the purposes of the guidance, Financial Investments are financial assets comprising Specified Investments and Non-Specified Investments.

3.1.1. Specified Investments are denominated in sterling, provide a right of repayment within one year and are not classified as capital expenditure under HM Government regulations. They are made with bodies or schemes of high quality, which may include the UK Government, local authority or other town/parish council.

3.1.2. Non-specified Investments do not satisfy the Specified Investments criteria; therefore, they generally carry greater risk. The Parish Council does not make non-specified investments.

3.2. For the purposes of the guidance, Non-Financial Investments are non-financial assets held primarily or partially to generate a profit.

The Parish Council considers that its non-financial assets do not qualify as investments because they are held solely for community and/or operational reasons and not for any profit motive.

This does not obviate the need for the Parish Council to ensure (a) it achieves value for money when acquiring or otherwise taking on a non-financial asset and (b) it monitors asset values to ensure adequate insurance cover is maintained. Non-financial assets are listed in the Parish Council's asset register which supports insurance cover maintained by the Parish Council; the register records both historic cost and insured replacement values.

#### **4. Management of Parish Council Specified Investments**

4.1. The Parish Council's Specified Investments comprise of cash balances held in accounts with one or more recognised financial institutions.

4.2. The Parish Council maintain bank current accounts for making and receiving payments; the selected bank accounts need to meet the Parish Council's agreed operational and pricing requirements.

4.3. The Parish Council will hold one or more accounts for surplus funds.

4.4. Accounts will be selected according to the principles of security, liquidity and yield.

##### **4.4.1. Security:**

The Parish Council will seek to protect surplus funds from loss by

- Opening accounts only with institutions of high quality, making reference to relevant sources of financial, economic and ratings information
- Having regard to industry deposit protection schemes such as the Financial Services Compensation Scheme
- Eliminating exchange risk by holding all balances in sterling
- Making regular checks to ensure compliance with the relevant limits.

Surplus funds are defined as those funds which have not been earmarked for specific projects or budgeted funds for planned expenditure.

##### **4.4.2. Liquidity:**

The Parish Council will seek to ensure 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, e.g. managed via on-line banking;
- Which require no more than 95 days' notice to withdraw funds.
- Regular checks will be made to identify forthcoming payment requirements and to ensure appropriate funds are available.

##### **4.4.3. Yield:**

When deciding where to hold surplus funds, the Parish Council will consider what yields are available. It will seek to maximise yield as long as the prudential objectives of security and liquidity are met.

#### **5. Capacity, Skills and Culture**

5.1. The Parish Council commits to ensuring that members and staff involved in decisions relating to and management of investments have the relevant capacity, skills and information to make informed decisions as to whether to enter into a specific investment, to evaluate individual investments in the context of strategic objectives and to understand the impact of decisions on the overall risk exposure of the Parish Council.

5.2. The Parish Council will meet its commitment by providing training, using external advisers and reporting and communicating through appropriate communication channels.

## **6. Transparency and Democratic Accountability**

6.1. This Investment Policy shall be reviewed each year and presented for approval to Full Council.

6.2. Proposals for any material changes during the year will be presented to Full Council for approval.

6.3. This Investment Policy and subsequent updates will be published on the Parish Council Website