

Investment Strategy and Reserves Policy

FINAL

Version 1

Approved at Full Council: 17/May/2021

Review Cycle: Annually with budget process

Introduction

At its meeting on 20th December 2020, Full Council approved a document called Investing Shinfield Parish Funds. This strategy follows on from that document and sets out in detail the principles and guidance to be followed.

1. The investment of surplus funds by local authorities is governed by the Local Government Act 2003, section 15 (1) (a) and Guidance issued by the Secretary of State under that Act. In addition, the Treasury Management Code issued by CIPFA provides a Code of Practice and Guidance Notes for all councils.
2. Investments below £10,000 are not subject to the Guidance. The Guidance is statutory for parish councils, providing their total investments exceed or are expected to exceed £100,000 at any time during the financial year.
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 security and liquidity as part of the Council budget process.
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.
5. Any other type of investment is considered 'Non-Specific' to which there can be a greater risk and where professional investment advice is required.

INVESTMENT STRATEGY

1. Shinfield Parish Council (Council) will always have regard to the Guidance in the Local Government Act 2003, section 15 (1) (a) and Guidance issued by the Secretary of State under that Act and
2. The Council will primarily ensure it holds sufficient funds in the current account to meet its short-term financial commitments to salary payments and creditors.
3. The Council acknowledges the importance of prudent investment for any of the funds it is holding on behalf of the community:
 - a. Developer contributions until they are required to fund capital projects
 - b. Other surplus funds held on behalf of the community until they are required to fund expenditure.
4. When considering investment opportunities, the Council will place priority on

- 1 **Security** (protecting the capital sum from loss),
 - i. Specified investments only (no stocks and shares)
 - ii. All investments must be in sterling
 - iii. Investments with a High credit rating
 - iv. Government and Other Public Sector Bodies.

- 2 **Liquidity** – The proportion of funds invested in short and longer term investments will be decided annually when the budget is set. They will be
 - i. Short term investments of 1 year or less – the total sum of:
 1. The value of the annual precept raised and required to fund operational expenditure in the financial year.
 2. Plus Working Capital requirement.
 3. Funds to pay for committed expenditure for “live” capital projects.

 - ii. Longer term investments providing they can be withdrawn at 1 year:
 1. Investments equal to the sum earmarked to fund capital projects which are incepted and planned to start in a later financial year.
 2. Unallocated CIL receipts

 - iii. Long Term Investments with a higher yield and more than one year
 1. The balance held in the Sinking Fund to be invested in a longer-term property fund as it is not required for at least 5 years.

- 3 **Yield or return** - maintaining the value of public money until it is required to fund expenditure.

Annual Reporting on Investments

At the end of the financial year, the Clerk/RFO will report to Finance and General Purposes Committee (F&GP):

1. The annual performance of the Council's investments using quantitative and comparative indicators.

2. The review of investments
 - a. Has risk changed
 - b. When do investments mature.
 - c. Assess the need to call on or add to reserves/cash in investments.

Annual Review of the Funds Investment Strategy

The Secretary of State recommends that the Strategy should be presented for approval prior to the start of every financial year.

The Strategy will be approved by Full Council as part of the budget process.

If a material change is required during the year, a revised Strategy should be presented to Full Council before the change is implemented.

Funds Investment Management Advice

The Council recognises that neither members nor officers are experts in the field of investment fund management. As such, the Council should review its level of investment on an annual basis and assess if there is a requirement to obtain independent, external, expert advice in reviewing the Investment Strategy and the allocations of Specified Investments.

Property fund investment management advice must be sought from a specialist financial management advisory firm who specialise in advising local authority and local town and parish councils.

External fund managers must accept this investment strategy as a minimum requirement.

RESERVES POLICY

The Council will maintain reserves for the following purpose:

General Reserve - Working Capital

A sum approximately equal to 3-6 months of its Net Revenue Expenditure will be maintained as the General (non-earmarked) Reserve, in accordance with good practice.

Earmarked CIL Reserve

A CIL Reserve holding amounts received for community infrastructure. Individual tranches will be held for a maximum of five years in line with statute. Reserves will be released for expenditure when the Council receives a comprehensive business plan and approves a suitable scheme.

Other Earmarked Reserves

Other Reserves which are for special purposes such as future repairs, elections and new capital will be assessed and earmarked as necessary.

The level and purpose of Council Reserves will be considered during the budget process and monitored at every F&GP meeting.

The balance on Council Reserves will be reviewed at the end of each financial year by F&GP Committee and reported to Council with a statement of amounts and purpose and time held.

Banking Arrangements

The Council's current bankers are Lloyds Bank plc.

The Council will annually review its banking arrangements by a robust process which balances returns, high street presence, accessibility of funds, service level, bank charges and ethical credentials as part of the budget process.