

WINDLESHAM PARISH COUNCIL

ANNUAL INVESTMENT STRATEGY 2018-19

Adopted Full Council 24th July 2018 C/18/77

1. Introduction

- 1.1 Windlesham Parish Council recognises the importance of prudent investment of any temporarily surplus funds held on behalf of the community.
- 1.2 This strategy has been prepared in accordance with the Statutory Guidance on Local Government Investments 3rd Edition hereafter known as ‘the Guidance’, which has been issued under section 15(1)(a) of the Local Government Act 2003. Under that section of the Act, local authorities are required to “have regard” to “such guidance as the Secretary of State may issue”.
- 1.3 Under the terms of the Guidance, from 2018-19 financial year, it is mandatory for any parish council expecting investments to exceed £100,000 at any time in the financial year to prepare an annual investment strategy. This must be:
 - approved by Full Council
 - publically available on the Council website
 - subject to review and renewal at least annually.

2. Definition

- 2.1 The Council defines its treasury management activities as “the management of the Council’s cash flows, its banking and money market transactions, the effective control of the risks associated with those activities, and the pursuit of best value performance consistent with those risks” and therefore has agreed to apply the Guidance as set out below.

3. Investment Objectives

- 3.1 The Council’s investment priorities are:
 - The security of its reserves – protecting the sum invested from loss;
 - The liquidity of its investments – ensuring the funds invested are available for expenditure when needed and;
 - The yield – the return or yield is distinct from the first two prudential objectives. However this does not mean that potential revenues should be ignored.
- 3.2 When entering into any treasury investment the Council will consider levels of security, liquidity and yield in that order.
- 3.3 When entering into other types of investment the Council will carefully consider the balance between security, liquidity, and yield based upon risk appetite and the contribution(s) of that investment activity.

4. Security of Investments

4.1 The Guidance defines three different types of financial investments:

4.2 Specified investments

An investment is a specified investment if the investment is in sterling only and any payments or repayments are payable in sterling only, it offers high security and high liquidity with a maturity of no more than one year either as this is the expiry of the investment or through a non-conditional contractual option. In addition, short-term sterling investments must be with organisations or institutions with “high credit ratings”.

For the prudent management of its treasury balances, maintaining sufficient levels of security and liquidity, the Council could use:

- UK banks and UK building societies;
- Public Bodies (including Local Authorities and Police Authorities);
- UK Financial Conduct Authority (FCA) regulated qualifying money market funds with a triple A rating.

It is recommended that all Council investments are held in specified investments at this point.

4.3 Loans

As a Council with General Power of Competence, Windlesham is permitted to make loans, for example to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth. At present this is not expected to be used, but should this be considered the investment strategy would need to be revisited by Full Council as this would be considered a material change.

4.4 Non-specified investments

A non-specified investment is defined by the Guidance as “any financial investment that is not a loan and does not meet the criteria of a specified investment. Non-specified loans are usually for longer periods (i.e. more than one year) and with bodies that are not highly credit rated.

Non-specified investments are not included in the Investment Strategy for this Council as these investments are considered unacceptable due to their higher potential risk.

5. Liquidity of Investments

- 5.1 The Responsible Finance Officer (RFO) in consultation with the Finance Committee and / or Full Council (as applicable) will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.
- 5.2 The Investment Strategy for 2018-19 in table 1 below is recommended:

Table 1

Recommended Investments: 2018-19 Investment Strategy

Recommend Account Type	Funds to be held in this type of account	Matters to be considered
Current Bank Account	£75,000 plus balance of precept held at any point in year	Precept is paid in advance, this will be held in current account and used to fund annual spend. Cash flow will need to be monitored in Jan to March period each year to ensure balance does not move below £75K
Instant Access Deposit Accounts	£280,000	This is 40% of general reserves plus earmarked reserves that may be spent in 2018-19. Expect transfers in year from these accounts to fund the planned deficit
Long term Deposit Account - Investment more than 12 months	£ 180,000	£100K of general reserves plus school lane field reserve and cemetery reserve
TOTAL	£535,000	Year end reserves 31.3.18

See Appendix 1 for detailed analysis

6. Long Term Investments

- 6.1 Long term investments shall be defined as greater than one year. The Council will use the same criteria for assessing long term investment as identified above for specified investments.
- 6.2 It should be noted that any funds held in investments longer than 12 months at balance sheet date must be moved off of the balance sheet and on to the fixed asset register, and a balancing entry made to the income and expenditure account. This is an anomaly of the parish council accounting regime.

7. Risk Assessment

- 7.1 Although it is understood that some small local authorities such as Parish Councils are covered by the Financial Services Compensation Scheme up to £85,000 should an authorised

financial services firms fail, the Council must carefully manage its reserves to mitigate the risk of losses. The Council will only invest in institutions of “high credit quality” as set out in section 4 of this strategy. Where appropriate the Council will give consideration to spreading investments over a range of different providers to minimise risk.

- 7.2 The Council will monitor the risk of loss on investments by having regard to the general financial, economic and political environment nationally. The Council does not employ, in-house or externally, any financial advisors but will rely on information which is publicly available.

8. Use of Investment Managers

- 8.1 Investment Managers are not currently used, initial consultation suggested the cost of such a service exceeded any potential gains.

9. Governance

- 9.1 The Guidance states that where appropriate the Strategy should comment on the corporate governance arrangements that have been put in place to ensure accountability, responsibility and authority for decision making on investment activities within the context of the local authority’s corporate values.
- 9.2 Only Full Council has the authority to make and approve setting up long and short term investments in accordance with the Annual Investment Strategy, based upon recommendations from the Finance Committee and Responsible Finance Officer. All resolutions relating to investments will be noted in the minutes.
- 9.3 The Council’s financial regulations will be followed in setting up transaction authorisation processes on all investment accounts - ie 2 authorised signatories on all transactions, including 1 councillor from the authorised signatory panel.

10. Reporting

- 10.1 Prior to maturity of a fixed term investment, the Responsible Finance Officer will prepare a report for the next full Council meeting with recommendations for investment.
- 10.2 Under exceptional circumstances due to time constraints and / or possible financial penalty or loss, the RFO in consultation with the Chairman and the Chairman of the Finance Committee may jointly take the decision to re-invest for a further period of time. The decision should be reported to Full Council and minuted at the very first opportunity.
- 10.3 An annual report on investment performance will be produced for the Finance Committee

11. Review

- 11.1 The Investment Strategy will be reviewed annually. The Annual Strategy for the coming financial year will be prepared and reviewed by the Finance Committee which will then make a recommendation to the Full Council.

11.2 The Council reserves the right to make variations to the Strategy at any time, subject to the approval of the Full Council. Any variations will be minuted and made available to the public.

12. Borrowing in advance of need

12.1 The Guidance explicitly states the Council should not borrow more than, or in advance of their needs, purely in order to profit from the investment of the extra sums borrowed.

13. Freedom of Information

13.1 In accordance with the Freedom of Information Act 2000, this document will be posted on the Parish website and a hard copy will be available from the Parish Clerk.

14. References

- The Public Accounts Committee: The Financial Sustainability of Local Authorities inquiry
- Ministry of Housing, Communities and Local Government (MHCLG): Statutory Guidance on Local Government Investments (3rd Edition)
- Chartered Institute of Public Finance and Accountancy (CIPFA): Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes
- Chartered Institute of Public Finance and Accountancy (CIPFA): The Prudential Code