

Caterham on the Hill Parish Council

Investment Strategy

Adopted: Finance and General Purposes Committee – October 2023

For review: Finance and General Purposes Committee - October 2024

1. Introduction

This investment strategy establishes formal objectives, policies, practices and reporting arrangements for the effective management and control of Caterham on the Hill Parish Council’s treasury management activities and the associated risks. It should be read in conjunction with the Council’s Financial Regulations.

Caterham on the Hill Parish Council (CHPC) acknowledges its duty of care to the community and the prudent investment of funds. This strategy and policy document relates to the management of CHPC reserves.

2. RELEVANT REGULATIONS AND GUIDANCE

- 2.1 The Local Government Act 2003 Section 12 provides the power to invest (a) for any purpose relevant to its functions under any enactment or (b) 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 guidance issued by the Secretary of State.
- 2.2 Current applicable national guidance¹ applies to councils with total investments over £100K and requires the adoption and publishing of Investment Strategies which set out the risk profile of the PC’s investments and how investment returns will contribute to service delivery. PCs are enjoined to prioritise Security, Liquidity and Yield in that order of importance, and to be especially clear about whether core service provision is in any way reliant on investments generating certain yields. Councils are also required to demonstrate that members and officers have appropriate capacity, skills and information to enable them to take informed decisions in this area.
- 2.3 This policy also complies with the expectations of the *Governance and Accountability for Local Councils Practitioners Guide 2022*.

3. RESERVES

¹ *Statutory Guidance on Local Authority Investment*, UK Secretary of State, April 2018

See the Reserves Policy

4. INVESTMENT OBJECTIVES

4.1 The Council's investment objectives, in priority order, are:

- a. the security of its funds,
- b. the adequate liquidity of its investments, and
- c. the return on investment - the Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity

4.2 The choice of investment will ensure that both credit rating and investment spread over different providers require they are reviewed regularly to ensure that the council only invest in institutions of high credit quality, based on information from credit rating agencies (as defined) and spread over different providers to minimise risk.

5. SPECIFIED INVESTMENTS

5.1 Specified investments are those offering high security and high liquidity, made in sterling and with a maturity of no more than a year.

5.2 The Council, for prudent management of its treasury balances may use:

- a. Treasury Deposits with UK clearing banks
- b. Local Authorities or other Public Authorities
- c. Other approved public sector investment funds

5.3 The choice of institution and length of deposit will be recommended by the Finance and General Purposes Committee for approval by Full Council.

5.4 The Council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

6. NON-SPECIFIED INVESTMENTS

6.1 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.

7. SECURITY OF INVESTMENTS

The Parish Council will seek to protect funds from loss, in these ways:

- a. All investment and deposits will be with schemes of high quality, which may include the UK Government, UK Financial Services Compensation Scheme (FSC)-registered financial institutions, or via another local authority.
- b. All investments, deposits and interest will be in £ sterling.

- c. To minimise financial risk, fixed-term investments will be made exclusively via FSC-guaranteed £85,000 maximum financial products, with an aim to ensure that no more than the FSC-permitted maximum total deposit is made with any one financial entity (including parent/subsidiary entities).
- d. The choice of investment institutions/products will be subject to due diligence review, making reference to relevant sources of financial, economic and ratings information.
- e. Monitoring procedures will include regular checks to ensure compliance with these policy lines.

8. LIQUIDITY OF INVESTMENTS

8.1 The Responsible Finance Officer will advise the maximum periods for which funds may prudently be committed so as not to compromise liquidity for approval by the Finance and General Purposes Committee or Full Council.

8.2 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.

9. YIELD

When deciding where to hold surplus funds, the 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.

9. INVESTMENT STRATEGY 2023 – 2024

For 2023/2024, the Council will invest in a low-risk product to achieve its investment objectives.

10. END OF YEAR INVESTMENT REPORT

Investment forecasts for the coming year are considered when the budget is prepared. At the end of the financial year the Responsible Finance Officer will report on investment activity to the Council.

11. REVIEW AND AMENDMENT OF REGULATIONS

11.1 The Annual Investment Strategy must be reviewed annually by the Finance and General Purposes Committee and revised if considered necessary. Any changes will be approved by Council.

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

12. TRANSPARENCY and ACCOUNTABILITY

This document will be posted on the Council's website: www.caterhamhillparishcouncil.co.uk