



Investment Strategy 2021-22

1. Introduction

Headley Parish Council acknowledges the importance of prudent investment of surplus funds held on behalf of the communities it serves. This Strategy has been prepared in accordance with the Guidance on Local Government Investments ('the Guidance') issued under section 15(1) of the Local Government Act 2003, effective from 1st April 2018.

The guidance states:

- a. Where a Town or Parish Council expects its investments at any time during a financial year to exceed £500,000, the Guidance should apply in relation to that year.
- b. Where a Town or Parish Council expects its investments at any time during a financial year to exceed £10,000 but not £100,000, it should decide on the extent, if any, to which it would be reasonable to have regard to the Guidance in relation to that year.
- c. Where a Town or Parish Council expects its investments during any time during a financial year not to exceed £10,000, no part of the Guidance need be treated as applying in relation to that year.

The Parish Council expects its investment during 2021/22 financial year to exceed £10,000 but not £100,000 and therefore has agreed to apply the Guidance as set out below.

2. Investment Objectives

Headley Parish Council's investment objectives are:

- a. Security of its funds.
- b. Liquidity of its investments to meet the Parish Council's needs.
- c. To optimise the return on its investments commensurate with a prudent view of risk to reward.

All investments will be made in sterling and, as a minimum, surplus funds will be aggregated in an interest-bearing bank account.

Government guidance maintains that borrowing of monies purely to invest, or lend and make a return, is unlawful and this Parish Council will not engage in such activity.

3. Security of Investments

3.1 Specified investments

Specified investments are those offering high security and high liquidity with a maturity of no more than one year. In addition, short-term sterling investments must be with bodies/institutions with “high credit ratings”.

3.2 Non-Specified Investments

Non-specified investments 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 Parish Council as these investments are not acceptable due to their higher potential risk.

4. Liquidity of Investments

The Responsible Financial Officer in consultation with the Clerk & Executive Officer and Finance & Policy Panel or Full Council (as applicable) will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.

5. Long Term Investment

Long term investments shall be defined as greater than one year. The Parish Council will use the same criteria for assessing long term investment as identified above for specified investments.

The Parish Council holds a long-term investment in ‘The Public Sector Deposit Fund’ of the CCLA. The investment is compliant with this Strategy.

The Parish Council also manages a long-term investment in a ‘Charities Investment Fund’ of the CCLA in the name of ‘Headley War Memorial Fund’. This is an investment of residual funds raised locally to construct the War Memorial in the Parish.

6. Risk Assessment

The Parish Council’s reserves are covered by the Financial Compensation Scheme up to £85,000 per bank or other financial institution and must therefore be carefully managed to mitigate the risk of losses.

The Parish Council will only invest in institutions of “high credit quality” as set out in 3.1 of this strategy. Investments will be spread over different providers where appropriate to minimise risk.

The Parish Council will monitor the risk of loss on investments by reference to credit ratings. The Parish Council should aim for ratings equivalent to the Fitch F1*1 rating for short term investments or Fitch A for long term investments. The Parish Council will also have regard for the general economic and political environment in which institutions operate.

The investment position will be reviewed quarterly (April, July, October, January) by the Responsible Financial Officer and a written report prepared for the Finance and Policy Committee or Full Council.

The Parish Council does not employ, in-house or externally, any financial advisors but will rely on information which is publicly available.

7. Investment Approval and Reporting

The Finance & Policy Panel has the delegated authority to consider and make short-term investments (maximum) of 12 months, in accordance with this Policy, subject to prior approval of the investment provider by Full Council.

8. Review and Amendment of Regulations

The Investment Strategy will be reviewed annually by Full Council in February for the forthcoming financial year.

9. Freedom of Information

In accordance with the freedom of Information Act 2000, this document will be posted on the Parish Council's website www.headleyparish.com and available in paper form from the Clerk & Executive Officer.

*1 Fitch ratings one of the big three credit rating agencies, the other two being Moody's and Standard & Poor's.

Fitch F1 = Highest short-term credit quality. Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.