



## Stratfield Mortimer Parish Council Investment Strategy 2023/24

### STRATEGY STATEMENT

Stratfield Mortimer Parish Council ("the Council") acknowledges its responsibility to the community and the importance of prudently investing any surplus funds held by the Council until they are required for expenditure purposes.

The Local Government Act 2003 requires Local Authorities to produce an Investment Strategy each year. This Strategy has been prepared in accordance with the Guidance on Local Government Investments ("the Guidance") issued under ~~s. section 15(1), of the~~ Local Government Act 2003 ("s.15(1)"), ~~effective from 1st April 2018.~~

The Guidance applies to parish councils providing their total investments exceed, or are expected to exceed, £100,000 at any time during the financial year. Parish councils that who expect their total investments to be between £10,000 and £100,000 are encouraged to adopt the principles of the Guidance.

In accordance with s.15(1), Section 15(1)(a) of the Local Government Act 2003, the Council will have regard to the Guidance:-

- ~~• To such guidance as the Secretary of State may issue, and~~
- ~~• To such other guidance as the Secretary of State may, by regulations, specify~~

This Strategy sets out:

- 1 Investment Objectives
- 2 Categories of Investments
- 3 Investment Strategy – General
- 4 Investment Strategy 2023/24 - Specifics

### 1 INVESTMENT OBJECTIVES

- 1.1 The Council's prudential investment objectives for its reserves are:
  - 1.1.1 sSecurity (protecting the capital sum from loss); and then
  - 1.1.2 liquidity (keeping the money readily available for expenditure when needed);
- 1.2 The generation of yield is distinct from the prudential objectives and will be considered once levels of security and liquidity have been determined. The Council will achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

### 2 CATEGORIES OF INVESTMENTS

- 2.1 Specified Investments are those offering high security and high liquidity and that meet the following criteria:
  - 2.1.1 aAre made in £Sterling;-
  - 2.1.2 aAre not long term (12 months or less);-
  - 2.1.3 aAre not defined as capital expenditure;-

- 2.1.4 ~~The investments~~ are made with a body which has a high credit rating **or** are made with the UK Government, a UK Local Authority or a parish or community council.
- 2.2 A non-specified investment is any financial investment that is not a loan and does not meet the criteria to be treated as a specific investment. Such an investment has a greater risk potential and examples include money markets and stocks and shares.
- 2.3 A council may choose to make loans to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth. Such loans can be made if certain conditions can be met as per the Guidance.
- 2.4 Non-financial investments are non-financial assets that a council may hold primarily or partially to generate a profit. Where a council holds a non-financial investment, it will normally have a physical asset that can be realised to recoup the capital invested.

### **3 INVESTMENT STRATEGY - GENERAL**

- 3.1 The Council's Investment Strategy will be reviewed and approved annually by the Finance and General Purposes Committee and Full Council as part of the budget process.
- 3.2 The Council recognises that neither members nor officers are experts in the field of investment fund management and as part of the annual review will assess if there is a requirement to obtain independent, external, expert advice regarding its investments.
- 3.3 If a material change is required during the year, a revised Strategy shall be approved by Full Council before the change is implemented.
- 3.4 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.
- 3.5 All accounts will be held with banks and building societies which are regulated by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA").
- 3.6 No investment shall be held with the Council's current account banker or bankers.
- 3.7 The Council shall only invest with organisations which are defined as "High Credit Quality" by one of the credit rating agencies stated in the Guidance (Standard and Poor's, Moody Investors Services Ltd, and Fitch Ratings Ltd). The credit rating will be checked on a quarterly basis and reported to the Finance and General Purposes Committee and as part of the annual review.
- 3.8 Where investments are made in interest bearing term/notice deposits, these shall be placed with phased end dates to retain liquidity.
- 3.9 The Council will not borrow more than, or in advance of, its needs purely to profit from the investment of the extra/early sums borrowed.
- 3.10 Any approved investment shall be authorised as per the Council's Financial Regulations and agreed signatories.
- 3.11 The Responsible Financial Officer shall report on the return on investments as part of the regular financial updates to the Finance and General Purposes Committee and Full Council.
- 3.12 The Investment Strategy will—shall be posted to the Council's website with hardcopies and a hardcopy available from the Clerk on request.

## 4 INVESTMENT STRATEGY 2023/24 - SPECIFICS

### 4.1 Banking Arrangements:

4.1.1 The Council's current bank account is held with Unity Trust Bank PLC. Unity Trust is authorised by the PRA and regulated by the by the FCA. It is listed in the Financial Services Register (~~FSR~~) under number 204570.

4.1.2 The Parish Council's working cash is covered by the Financial Services Compensation Scheme ("FSCS")<sup>1</sup> up to £85,000 per bank or other financial institution. Confirmation of the Council's eligibility under the FSCS is made annually to Unity Trust Bank

4.1.3 Any balance over £85,000, not required to meet its short-term financial commitments to salary payments and creditors, will be moved to The Public Sector Deposit Fund ("PSDF").

### 4.2 Investments:

4.2.1 To meet its investment objectives, the Council's surplus funds are invested with the PSDF operated by ~~GCLA~~ (Churches, Charities and Local Authorities) Investment Management Limited.

4.2.2 The PSDF has a credit rating of AAmmf as per Fitch Ratings Ltd<sup>2</sup>. This is the highest possible rating.

4.2.3 The yield rate as ~~at the 31st of~~ January 2023 was 3.5292%. The yield is calculated daily and is net of fees.

4.2.4 The ~~a~~Annual ~~m~~Management ~~c~~Charge<sup>3</sup> (0.08% net of fees) accrues daily and is calculated by daily reference to the net asset value of each sub-fund on the previous dealing day and is payable monthly within 10 business days of the following month.

4.2.5 Deposits can be made by cheque and/or bank transfer with withdrawals actioned before ~~11:30 a.m.~~ (via email) being available in the council's bank account as cleared funds by ~~16:4:00 p.m.~~ on the same day.

4.2.6 The end of year balance is included within Bank and Cash balances (as a Short-Term Investment) in the Annual Return.

### 4.3 Borrowing and Fixed Term Investments:

4.3.1 Expected levels of external borrowing and fixed term investments for 2023/24 are estimated to be:

- ~~s~~Short-term borrowing: Nil~~;~~
- ~~l~~Long-term borrowing: Nil~~;~~
- ~~i~~Interest bearing fixed term investments: Nil~~;~~

<sup>1</sup> FSCS does not protect deposits made by a public authority (including a parish council), unless it is a small local authority i.e. it has gross annual income or expenditure (turnover) below £6.5 million, with an annual budget of up to EUR500,000.

<sup>2</sup> [Fitch Affirms 2 CCLA Money Market Funds at 'AAmmf' \(fitchratings.com\)](https://www.fitchratings.com/web-content/2023/02/fitch-affirms-2-ccla-money-market-funds-at-aaammf)

<sup>3</sup> The AMC is deducted from the gross income earned on the fund and the dividend paid into the account is the income less fees.