Lympstone Parish Council
Investment Strategy

Introduction

This strategy has been prepared in accordance with the Guidance on Local Government Investment ("the Guidance"), issued under section 15(1)(a) of the Local Government Act 2003 and guidance within Governance and Accountability for Local Councils Practitioner's Guide 2016. The current statutory Community and Local Government Investments Guidance Note came effective on 1 April 2010.

The Guidance recommends that a Parish Council produces an Annual Investment Strategy which sets out its policy for managing the investments and giving priority to the liquidity and security.

Where a Town or Parish Council expects its investments at any time during a financial year to exceed £100,000 but not £500,000 it should decide on the extent, if any, to which it would be reasonable to have regard to the Investment Guidance Note in relation to that year.

The Parish Council will have regard to such guidance as the Secretary of State has issued and may issue.

Investment Objectives

The Local Government Act 2003 states that a local authority may invest: - for any purpose relevant to its functions under any enactment - for the purpose of prudent management of its financial affairs.

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."

All investments will be made in sterling.

The strategy is based on two major principles of security (protecting the Council's funds from loss) and liquidity (ensuring funds are available when needed), plus a subsidiary principle of yield (where consistent with security and liquidity).

Borrowing by the Council is regulated by law. The Council is not allowed to borrow more than or in advance of its needs purely to profit from investment of borrowed funds; this is unlawful.

Investments Covered by the Guidance

Specified Investments

For the purposes of the guidance, financial investments are financial assets comprising Specified Investments, Loans and Non-Specified Investments.

Specified Investment offer a high security and high liquidity, made in sterling and with a maturity within one year and are not classified as capital expenditure under HM Government regulations.

Such short-term investments made with the UK Government or a Local Authority (as defined) or a Town/Parish Council will automatically be Specified Investments.

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

- Treasury Deposits with UK clearing banks
- Local Authorities or other Public Authorities

• Other approved public sector investment funds
The choice of institution and length of deposit will be at the approval of the Parish Council with recommendations from the Finance and Advisory Committee.
The Council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

Management of Parish Council Specified Investments
The Council will maintain a bank current account for making and receiving payments.
The Council will hold one or more accounts for surplus funds.
Accounts will be selected according to the principles of security, liquidity and yield.
Security:
The Council will seek to protect surplus funds from loss by
▪ opening accounts only with institutions of high quality, making reference to relevant sources of financial, economic and ratings information.
▪ having regard to industry deposit protection schemes such as the Financial Services Compensation Scheme
▪ eliminating exchange risk by holding all balances in sterling
▪ making regular checks to ensure compliance with the relevant limits.
Liquidity:
The Council will seek to ensure sufficient funds are readily available to meet its expenditure commitments by holding surplus funds in accounts:
▪ from which transfers can easily be made to the Council's current account, e.g. managed via on-line banking;
▪ which require no more than 95 days' notice to withdraw funds. Regular checks will be made to identify forthcoming payment requirements and to ensure appropriate funds are available.
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.

Non- Specified Investments
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.

Liquidity of Investments
The Finance and Advisory Committee in consultation with the Clerk/Responsible Finance Officer will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.

Long-Term Investments
Long Term Investments are defined in the Guidance is greater than 36 months.

Loans
Any loans can only be made through the Public Loans Board.

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 Clerk/Responsible Finance Officer will report on investment activity to the Finance and Advisory Committee.

Investment Strategy

The Council will continue to invest as much of its balance as possible in a low-risk product. Currently funds are held with the Unity Trust current account, with a maximum account amount of £30,000. Any additional funds are transferred to LPCs instant access account with Unity Trust for flexibility and to earn interest. Future additional potential investments or interest-bearing bank accounts will be looked at by the Finance and Advisory Committee.

Freedom of Information Act

In accordance with the Freedom of Information Act 2000 this document will be posted on the Council's website.

Lucy Tyrrell, Clerk and RFO to Lympstone Parish Council

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