

COUNTSTHORPE PARISH COUNCIL
BORROWING & INVESTMENT STRATEGY

Responsibility: Finance Working Party reporting to Parish Council

Review Cycle: 3 yearly, or earlier in the event of legislative changes/negative interest rates

Date of Adoption: 29th November 2022

Review Date: 14th September 2023 (Next Review Date September 2026)

INTRODUCTION

This policy sets out the financial management procedures for the monitoring of the cash flow and banking arrangements of Countesthorpe Parish Council. The Local Government Act 2003 Section 12 provides the power to invest in the following circumstances:-

- a. for any purpose relevant to its functions under any enactment; or
- b. for the purpose of the prudent management of its financial affairs.

The investment of surplus funds by local authorities, (including parish councils) is governed by the Local Government Act 2003; section 15(1) requiring a local authority to have regard to guidance issued by the Secretary of State for the Department for Communities and Local Government.

The Guidance states 'This guidance applies to parish councils and charter trustees, providing their total investments exceed or are expected to exceed £100,000 at any time during the financial year. Where a parish council or charter trustee expects its total investments to be between £10,000 and £100,000, it is encouraged to adopt the principles in this guidance'.

The Guidance defines an investment as covering all of the financial assets that the organisation holds primarily or partially to generate a profit.

The Guidance recommends that a council produces an Annual Investment Strategy which sets out its policy for managing the investments and giving priority to their security and liquidity, but acknowledging that potential revenue should not be ignored. The Secretary of State recommends that strategy should be approved by the full council before the start of each financial year, but may be revised with the approval of the full council at any point during the financial year.

Financial Investments can fall into one of three categories:

Specified Investment – one which is made in sterling, is not long term (less than 12 months), not defined as capital expenditure and is placed with a body which has a high credit rating or made with the UK Government, a UK Local Authority or a parish or community council. Such short-term investments made with a body or investment scheme of high credit quality (including the UK Government or a local authority or town/parish council) will automatically be Specified Investments.

Loans – these can be made to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth, even though those loans may not be seen as prudent if adopting a narrow definition of prioritising security and liquidity.

Non-specified investments – any financial investment that is not a loan and does not meet the criteria to be treated as a specified investment.

INVESTMENT CHOICES

This investment strategy assists the Parish Council with deciding where to invest funds and to confirm what level of risk the Council would be prepared to undertake.

Parish Council will only make **specified investments** as follows:-

- Only use 'A' Rated high street banks or building societies registered in the United Kingdom
- The timeframe for any investment should be 12 months or less.
- The Parish Council notes that, in order to be within the FSA insurance scheme, it would be necessary to invest a maximum of £85,000 in one banking group, however at the present time, the Parish Council will make investments according to funds available, and in any event, to ensure that there are at least three months' operating costs in the main banking account. The Parish Council accepts that there will be times when more than £85,000 will be held in its main bank account and acknowledges the risk as it would be deemed to be small.
- All investments, deposits and interest will be in pound sterling (£)

Only Full Council has the authority to make and approve any short-term investments (maximum of twelve months), in accordance with the Investment Strategy and based upon recommendations from the Finance Working Party.

All investments and money under the control of the Parish Council shall be in the name of Countesthorpe Parish Council, and documents retained in the custody of the Responsible Financial Officer.

Loans and non-specified investments do not form part of Countesthorpe Parish Council's investment strategy as they are considered to offer too much risk to be compatible with the objective of a proper level of security for investments.

Long-term Investments – Longer than 12 months

The Parish Council will use the same criteria for assessing long term investment as for Short Term investments and will also require that, should the Council wish to invest for periods greater than 12 months, it must identify the procedures for monitoring, assessing and mitigating the risk of loss of invested sums.

The Parish Council does not currently have any long term investments.

Access to Investments

The maximum period for which funds may prudently be committed so as not to compromise availability using the appropriate cash flow projection will be recommended by the Chairman of the Finance Working Party in consultation with the Responsible Finance Officer and reported at the next meeting of the Parish Council. The final decision will be made by the Parish Council. The Council is ultimately responsible for its investments.

BORROWING

Should the Parish Council need a loan from the Public Works Board or wish to place an investment of its monies, the terms shall be negotiated by the Responsible Financial Officer in the name of the Council and shall be for a set period of time, in accordance with resolution from the Parish Council.

All borrowings shall be taken out in the name of Countesthorpe Parish Council. Any formal decision to apply for and to exercise a borrowing approval must be made by the Parish Council. The Council may borrow funds but will require the formal written approval of the Secretary of State. The Council must contact Leicestershire & Rutland Associations of Local Councils (LRALC) to discuss the proposal and to obtain the Application Form for the Approval. Borrowing must be for a specific, generally capital expenditure, purpose detailed on the application form and in a report to council. Whilst the loan may be taken from any source, the Public Works Loan Board (PWL) is preferred. Irrespective of the source, an approval is required and no mortgage or charge on property is allowed.