



# **Wonersh Parish Council: Financial and Investment Strategy**

**Considered by Risk & Audit Committee: 17 09 2024**

**Approved by Council: 21 11 2024**

**Review Date: 11 2026**

## 1 INTRODUCTION

- 1.1 The purpose of this strategy is to set out the strategies for the management of cash and investments held by the Parish Council which are not required for day to day operational purposes.
- 1.2 The strategy has been produced with reference to and complies with the guidance issued by the Secretary of State on Local Government Investments (3<sup>rd</sup> edition) under Section 15(1) of the Local Government Act 2003.

## 2 OBJECTIVES

- 2.1 The general strategy objective for this Council is prudent investment of its cash balances.

The Council's investment priorities are:-

- (i) the security of its reserves;
  - (ii) the liquidity of its general investments;
  - (iii) the desire to generate a good yield from the investment of its Capital Reserves to provide income to support its capital expenditure budget on a year by year basis;.
- 2.2 The Council will aim to achieve a market return on its investments commensurate with appropriate levels of security and liquidity.
  - 2.3 Adequate liquidity is required to ensure that day to day activities can be funded and at the same time, it is desirable to ensure that an appropriate return on cash deposits is achieved. This document sets out the general principles and policies to be adopted in the management of the Council's cash and investments.

## 3 FINANCIAL STRATEGIES

When considering financial plans and preparing the annual budget, the Council will aim to:

- 3.1 Maintain a working bank account balance of at least 3 months net anticipated expenditure.
- 3.2 Surplus monies may be placed within suitable bank accounts or funds that are accessible immediately or with a specified period of notice in order to generate a suitable level of interest return.
- 3.3 Maintain a General Revenue Reserve, not earmarked for specific purposes, to cushion the impact of unexpected events or emergencies or to smooth out cashflow when undertaking works prior to the receipt of approved grants or Developers Contributions; and maintained at around 3 - 6 months of gross revenue expenditure.
- 3.4 Maintain Earmarked Reserves, for both capital and revenue expenditure, to meet known or predicted liabilities, identified individually in the Council's budgets.

## **4 INVESTMENT STRATEGY**

- 4.1 All investments will be Specified Investments which means that:-
- (i) All investments will be made in sterling and any payments or repayments will also be made in sterling, with UK registered institutions only;
  - (ii) All investments will be short term investments which will not exceed a maximum of 12 months;
  - (iii) All investments will be made with a body or investment scheme which is covered by the Financial Services Compensation Scheme;
  - (iv) All investments will be made in UK banks and building societies, or other UK regulated institutions or funds
- 4.2 The Council's interpretation of 4.1(ii) is that no monies can be placed on term deposit that has a maturity date in excess of 12 months. All investments held must be realisable within this maximum period.
- 4.3 Credit Ratings will be monitored and reported to the Risk & Audit Committee annually; if the rating falls during this period the Responsible Finance Officer, in consultation with the Chairman of Risk & Audit Committee, will decide on any appropriate action.
- 4.4 The Council may from time to time produce a list of specific investments or investment sectors that it wishes to avoid. The Council will satisfy itself that funds are only invested in an ethical manner commensurate with the use of public monies
- 4.5 The Council's approach to investment risk can be defined as 'Lower-Medium' risk. Advice will be sought from a suitably qualified and experienced persons or bodies with a proven track record prior to investment decisions being made who must be regulated by the Financial Conduct Authority.
- 4.6 Investment decisions in respect of the investment of Capital Reserves is to be made with a medium term view of the market in mind of at least 5 years whilst complying with the Statutory Guidance issued in regard to the length of any individual investment.
- 4.7 The Department of Communities and Local Government maintain that borrowing of monies purely to invest or to lend in order to make a return is inappropriate and the Council will not engage in such activity.

## **5 EXTERNAL BORROWING**

- 5.1 All borrowing requires the approval of the Council. Borrowing to fund capital expenditure may need the prior approval of the Department of Communities and Local Government. The process to be followed and the criteria to be applied are detailed in the Guide to Parish and Town Council Borrowing in England jointly published by the Department and the National Association of Local Councils.

**6 REVIEW AND AMENDMENT OF THE STRATEGY**

- 6.1 The Risk & Audit Committee will review this strategy annually for approval by the Council prior to the end of the financial year.
- 6.2 The Responsible Finance Officer may recommend variations of the strategy for consideration by the Risk & Audit Committee and approval by the Council in accordance with published guidance from the Secretary of State from time to time.