



STANFORD IN THE VALE PARISH COUNCIL

INVESTMENT STRATEGY

December 2024

1. INTRODUCTION

This investment strategy establishes formal objectives, policies, practices and reporting arrangements for the effective management and control of the Stanford in the Vale Parish Council's treasury management activities and the associated risks. It should be read in conjunction with the Council's Financial Regulations.

Stanford in the Vale Parish Council (SITV PC) acknowledges its duty of care to the community and the prudent investment of funds. This strategy and policy document relates to the management of SITV PC reserves.

2. RELEVANT REGULATIONS AND GUIDANCE

2.1. The Local Government Act 2003 Section 12 provides the power to invest:

- For any purpose relevant to its functions under any enactment or
- For the purpose of the prudent management of its financial affairs.
- Section 15(1) of the Act requires a local authority to have regard to guidance issued by the Secretary of State.

2.2. Current applicable national guidance¹ applies to councils with total investments over £100K and requires the adoption and publishing of Investment Strategies which set out the risk profile of the PC's investments and how investment returns will contribute to service delivery. PCs are enjoined to prioritise Security, Liquidity and Yield in that order of importance, and to be especially clear about whether core service provision is in any way reliant on investments generating certain yields. Councils are also required to demonstrate that members and officers have appropriate capacity, skills and information to enable them to take informed decisions in this area.

2.3. This policy also complies with the expectations of the Practitioners' Guide 2024 issued by the Joint Panel on Accountability and Governance (JPAG).

3. RESERVES

3.1. It is unlawful for Parish Councils to operate in overdraft. The Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure, but at the same time Councils have no legal power to hold reserves other than those for reasonable working capital needs or for specifically earmarked purposes. General (unrestricted) reserves can be used to smooth the impact of uneven cash flows or can be held in

¹ Statutory Guidance on Local Authority Investment, 3rd Edition, UK Secretary of State, April 2018

case of unexpected events or emergencies. Purposes for earmarked reserves can include renewal of assets; carry forward of underspends; specific augmentation of insurance cover, or other foreseeable liabilities. The amount of general reserve should be assessed annually in terms of risk and opportunity costs and approved as part of the budget process to confirm as still appropriate.

3.2. Types of Reserves

Reserves can be classified as General, Earmarked or Ringfenced.

1) General Reserves:

The General Reserve of an authority comprises its cash flow and contingency funds to cover cash flows and offset budget requirements. The reserve will also cover unexpected inflation, unforeseen events, emergencies and unusual circumstances. General Reserves are funds which do not have any restrictions on their use.

Practitioners' Guide 2024 advises that the appropriate minimum level of a Smaller Authority's General Reserve is maintained at between three (3) and twelve (12) months Net Revenue Expenditure (NRE). The smaller the authority, the closer the figure may be to 12 months expenditure, the larger the authority, the nearer to 3 months.

2) Earmarked Reserves:

Earmarked Reserves must be held for genuine and intended purposes and their level should be subject to annual review and justification. There are no upper or lower limits. They should be separately identified to prevent query from internal and external auditors.

3) Ringfenced Reserves:

Ringfenced Reserves are held for one purpose only and cannot be transferred or used for any other purpose.

3.3. Management and Control of Reserves:

Practitioners' Guide 2024 advises that it is essential that authorities have sufficient reserves (General and Earmarked) to finance both its day-to-day operations and future plans. Smaller authorities have no specific right to accumulate funds via the precept. All reserves should be reviewed and justified regularly (at least annually). It is good practice to transparently publish both the level and rationale of all reserves.

Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. However, there is no specific minimum level of reserves which an authority should hold, and it is the responsibility of the Responsible Financial Officer to advise the Parish Council about the level of reserves and to ensure that there are procedures for their establishment and use.

3.4. SiTV Parish Council holds the following reserves:

1) General Reserve

2) Earmarked Reserves, including:

- Section 106 reserves for community and social infrastructure – contributions from developers which can only be used for specified purposes
- CIL reserves, contributions from developers which can be used for community and social infrastructure and anything else that is concerned with addressing the demands that development places on an area
- Open spaces reserves – set up to cover known or predicted liabilities in relation to open spaces in the parish, primarily in relation to tree maintenance

3) Ringfenced Reserves:

- Grant awards for specific projects
- Section 106 funding received to maintain the Nursery End open spaces in perpetuity. The Nursery End open spaces were transferred to the Parish Council in 2024. Any income arising during a Financial Year from investment of this funding may be utilised for any appropriate Parish Council purpose. If it is not used in the Financial Year, then it is used to increase the Ringfenced Reserves.

3.5. SiTV Parish Council Reserves Management Process:

- 1) The level of General Reserves will be reviewed and approved by the Parish Council annually when approving the Annual Budget.
- 2) The minimum level of General Reserves will be recommended to the Parish Council by the Responsible Financial Officer.
- 3) Earmarked Reserves will be reviewed individually as part of the budget setting process and when the final annual budget monitoring statement is considered. Approval for the creation, continuation, amendment, or cessation of Earmarked Reserves will be given by the Parish Council.
- 4) Ringfenced Reserves continue in perpetuity but any deficit in Ringfenced Reserves become a draw on the precept.
- 5) Movements in General Reserves will be reported to the Parish Council as part of the monthly financial statement. Use of these reserves is approved by the Parish Council through the approval of payments at each meeting.
- 6) Balances for Earmarked Reserves will be reported to the Parish Council as part of the monthly financial statement. Movements in Earmarked Reserves will be reported for the reviews referred to in above. Use of Earmarked Reserves will be approved by the Parish Council.
- 7) Movements in Ringfenced Reserves will be reported to the Parish Council as part of the monthly financial statement. Use of these reserves is approved by the Parish Council through the approval of payments at each meeting

4. INVESTMENT OBJECTIVES

4.1. The Council's investment, in priority order, are:

- 1) the security of its funds,
- 2) the adequate liquidity of its investments, and
- 3) the return on investment - the Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

4.2. The choice of investment will ensure that both credit rating and investment spread over different providers require they are reviewed regularly to ensure that the council only invest in institutions of

high credit quality, based on information from credit rating agencies (as defined) and spread over different providers to minimise risk.

5. SHORT TERM SPECIFIED FUNDS

- 5.1. Short term specified funds are those offering high security and high liquidity, made in sterling and with a maturity of no more than a year. Such short-term investments made with the UK Government or a local authority or Parish Council will automatically be defined as a specified investment.
- 5.2. For the prudent management of the Parish Council's balances and in order to maintain adequate levels of security and liquidity the Parish Council may choose to invest short term funds with:
 - 1) Banks, building societies, local authorities or other public authorities who are all based in the UK
 - 2) Other approved public sector investment funds.
- 5.3. The choice of institution and length of deposit will be at the approval of the Council.
- 5.4. The Council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

6. NON-SPECIFIED INVESTMENTS

- 6.1. Non-specified investments are defined as any investments that do not meet the criteria of short term specified investments detailed above.
- 6.2. In general, non-specified investments have greater risk potential and include investment in money markets, stocks and shares.
- 6.3. Funds may be invested for periods of more than 12 months.
- 6.4. In specifying the length of the investment, the Parish Council's anticipated expenditure requirement over the proposed investment period will be assessed to ensure sufficient funds remain available.
- 6.5. The Parish Council may place investments not required for current expenditure with long term non-specified investments with a maturity period of up to 5 years, at which point the investment objectives would be fully reviewed to determine whether the investment should continue. Stocks and Share investments would be fully reviewed to determine whether the investments should continue every 5 years.
- 6.6. The Parish Council will determine the upper limits for the maximum amounts that can be held individually or accumulatively in non-specified investments and will confirm annually that the investments have remained within these limits.
- 6.7. The Parish Council may place investments not required for current expenditure with long term non-specified investments with a maturity period of greater than 5 years but will, in this instance, seek the advice of an independent financial advisor prior to making any long-term investments, as part of the risk management process.

7. SECURITY OF INVESTMENTS

The Parish Council will seek to protect funds from loss, in these ways:

- 7.1. All investment and deposits will be with schemes of high quality, which may include:
- 1) The UK Government, UK Financial Services Compensation Scheme (FSCS) registered financial institutions.
 - 2) CCLA which is owned by charities, religious organisations and local authorities and is Financial Conduct Authority (FCA) authorised and regulated.
- 7.2. All investments, deposits and interest will be in £ sterling.
- 7.3. To minimise financial risk, fixed-term investments will be made exclusively via FSCS-guaranteed £85,000 maximum financial products, with checks to ensure that no more than the FSCS permitted maximum total deposit is made with any one financial entity (including parent/subsidiary entities).
- 7.4. The choice of investment institutions/products will be subject to due diligence review, making reference to relevant sources of financial, economic and ratings information.
- 7.5. Monitoring procedures will include regular checks to ensure compliance with these policy lines.

8. LIQUIDITY OF INVESTMENTS

- 8.1. The Council in consultation with the Finance Committee, when appointed, and the Responsible Finance Officer will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.

9. 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.

10. END OF YEAR INVESTMENT REPORT

Investments for the coming year are considered when the budget is prepared. At the end of the financial year the Responsible Finance Officer will report on investment activity to the Council.

11. REVIEW AND AMENDMENT OF REGULATIONS

The Annual Investment Strategy will be reviewed annually and revised if considered necessary. Any changes will be approved by Council.

12. TRANSPARENCY & ACCOUNTABILITY

This document will be posted on the Council's website www.stanfordinthevalepc.co.uk

Strategy Version 1

Approved at Parish Council meeting: 4th December 2024

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Effective from: December 2024

Date for next review: December 2025 or sooner should legislation dictate