

Hullbridge Parish Council Annual Investment Strategy 2019-2020

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 2013, effective from 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 £10,000 but not £500,000 it should decide on the extent, if any, to which it would be reasonable to have regard to the Guidance in relation to that year.

Key Principles of the Strategy

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

The strategy is based on two major principles of security (protecting the Parish 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 Parish 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.

Investments Covered by the Guidance

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

Specified Investments are denominated in sterling, provide a right of repayment within one year and are not classified as capital expenditure under HM Government regulations. They are made with bodies or schemes of high quality, which may include the UK Government, local authority or other town/parish council.

Loans mean loans made to appropriate organisations as part of a strategy to promote local economic growth even if they may not all be seen as prudent if applying a narrow definition of prioritising security and liquidity.

Non-specified Investments do not satisfy the Specified Investments criteria; therefore, they generally carry greater risk. The Parish Council does not make non-specified investments.

For the purposes of the guidance, Non-Financial Investments are non-financial assets held primarily or partially to generate a profit. The Parish Council considers that its non-financial assets do not qualify as investments because they are held solely for community and/or operational reasons and not for any profit motive. This does not obviate the need for the Parish Council to ensure (a) it achieves value for money when acquiring or otherwise taking on a non-financial asset and (b) it monitors asset values to ensure adequate insurance cover is maintained. Non-financial assets are listed in the Parish Council's asset register which supports insurance cover maintained by the Parish Council; the register records both historic cost and insured replacement values.

Management of Parish Council Specified Investments

The Parish Council will maintain a bank current account for making and receiving payments; the selected bank account will need to meet the Parish Council's agreed operational and pricing requirements.

The Parish 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 Parish 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 Parish 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 Parish 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 Parish 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.

Loans

From time to time the Parish Council's investments may include loans made to local enterprises, local charities, wholly owned companies or joint ventures as part of a wider strategy to enhance the local facilities, services and environment.

Requests for loans will be considered on a case by case basis and particularly against criteria of security and liquidity.

In particular, the following conditions will apply:

- The Parish Council must see satisfactory evidence of the borrower's ability to repay the loan
- The granting of any loan must be approved by the Full Council
- Any loan shall be documented by an agreement between the parties in writing, which shall include the term of the loan and repayment arrangements
- The total sum outstanding by way of Parish Council loans must be proportionate and within an overall limit for this type of loan that has been agreed by the Parish Council
- The Parish Council will account for any expected loss in accordance with the requirements of statutory guidance.

Review and amendment of regulations

The Investment Strategy will be reviewed annually. The Annual Strategy will be approved by the full Council. The Parish Council reserves the right to make variations to the Strategy at any time, subject to the approval of the full Council. Any variations will be made available to the public.

Freedom of Information

In accordance with the Freedom of Information Act 2000, this Document will be posted on the Parish website and a hard copy will be available from the Parish Clerk.