



# North Horsham Parish Council

## INVESTMENT POLICY

### 1. INTRODUCTION

1.1. This policy sets out the treasury management procedures for the monitoring of the cash flow and banking arrangements of North Horsham Parish Council. The policy works with the Council's Financial Regulations.

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

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

Section 15 (1) of the Act requires a local authority to have regard:

- a) to such guidance as the Secretary of State may issue, and
- b) to such other guidance as the Secretary of State may by regulations specify for the purposes of this provision.

1.3 The Council acknowledges its duty of care to the community and the prudent investment of funds.

### 2. OBJECTIVES

2.1 The Council's priorities are, in the following ranking order:

- i) The security of capital to minimize the risk of losses.
- ii) The liquidity of investments to meet the cash flow needs of the Council.
- iii) Maximising income within the framework of the national economic situation.

2.2 The Council will aim to achieve a high rate of return on investments commensurate with adequate safeguards of security and liquidity.

2.3 The Department for Communities and Local Government maintains the borrowing of money purely to invest or to lend and make a return is unlawful and the Council will not engage in such activity.

2.4 The Council will monitor the risk or loss on investments. Credit ratings will be used as appropriate.

2.5 Investments will be spread over different providers where appropriate to minimise risk.

### **3. INVESTMENTS**

#### **Definition of an investment**

- 3.1 The definition of an investment covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit.

#### **Investment objectives**

- 3.2 This Investment Policy has the following objectives in priority order:
- Security – protecting the capital sum invested from loss.
  - Liquidity- ensuring the funds invested are available for expenditure when needed.
  - Yield – income return in the investment.

#### **Specified Investments**

- 3.3 Specified investments 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 a Town and Parish Council will automatically be Specified Investments.
- 3.4 The Council, for prudent management of its treasury balances may use – Treasury Deposits with UK clearing banks – Local Authorities or other Public Authorities approved public sector investment funds.
- 3.5 The choice of institution and length of deposit will be at the approval of the Finance and Administration Committee and reported to full Council.
- 3.6 The Council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

#### **Non Specified Investments**

- 3.7 A non-specified investment is non-financial assets that the organisation holds primarily or partially to generate a profit. Where a local authority holds a non-financial investment, it will normally be a physical asset that can be realised to recoup the capital invested.
- 3.8 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**

- 3.9 The Council, in consultation with the Responsible Financial Officer will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.
- 3.10 Investments will be regarded as commencing on the date the commitment to invest is entered into rather than the date on which the funds are paid over to the counterparty.

### **Long term Investments**

3.11 Long term Investments are those over a period of 12 months.

## **4. POLICY REVIEW**

4.1 The policy will be reviewed by the Finance and Administration Committee and recommendations made accordingly to the Council. The Council reserves the right to make variations to the Policy at any time, subject to the approval of the full Council.

4.2 The next review date is July 2022

**July 2020**