

Fairlight Parish Council

INVESTMENT POLICY

1. Introduction

1.1 The Council recognises the importance of prudent management of its financial resources and will use the provisions in this policy to guide its investment of temporarily surplus funds held on behalf of the community.

1.2 Further guidance with regard to investment is provided under section 8 of the adopted financial regulations of the Council and the statutory guidance on Local Government Investments [3rd edition] Issued under Section 15(1)(a) of the Local Government Act 2003 and effective for financial years commencing on or after 1 April 2018

Definition of terms:

- 'Investment' covers all of the financial assets of a local authority as well as other nonfinancial assets that the organisation holds primarily or partially to generate a profit
- Credit rating agency is one of the following three companies: • Standard and Poor's; • Moody's Investors Service Ltd; and • Fitch Ratings Ltd
- The FCA stands for The Financial Conduct Authority who regulate the conduct of around 51,000 businesses
- The Prudential Regulation Authority (PRA) supervise over 1,500 financial institutions including banks and insurance companies

2. Investment Priorities

2.1 The Council's priorities with regard to investment are:

- To ensure all products used for investment are from providers regulated by the PRA or the FCA
- The security of capital to minimise the risk of loss
- The liquidity of investments to meet the cash flow needs of the Council
- Maximising income within the framework of the national economic situation

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

3. Risk Management

3.1 .All investment and deposits will be with banks, building societies or financial institutions with registered headquarters based in the United Kingdom and regulated by the PRA or the FCA

3.2 All investments and deposits will be in pounds sterling (£).

3.3 Investments for current expenditure will be on instant access deposit accounts with a daily feeder to the current account.

3.4 Investments not required for current expenditure (reserves) may be placed on term deposits not exceeding one year. Any such investment will take account of any planned expenditure from the reserves over the next year.

3.5 In order to spread the financial risk, investments will be made with a minimum of two financial institutions with the deposit with any one banking licence never exceeding £85,000 or the current FSCS limit. Care will be taken to ensure that the providers of investment securities have different banking licences.

3.6 The credit ratings of the institutions will be at least 'A' and these will be monitored quarterly by the RFO. Any changes to the credit ratings will be notified to the Councillors at the earliest opportunity, who will determine a course of action.

3.7 The option for the parish council to make loans to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth will not be utilised.

Adopted: 23rd June 2020

Revised: 23rd November 2021