



Investment Strategy

Introduction

1. The investment of surplus funds by local authorities, (including parish councils) is governed by the Local Government Act 2003; section 15(1) (a) as effective from 1 April 2010 and Guidance issued by the Department for Communities and Local Government from time to time on behalf of the Secretary of State under that Act.
2. The Guidance states 'This guidance applies to parish councils and charter trustees, providing their total investments exceed or are expected to exceed £100,000 at any time during the financial year. Where a parish council or charter trustee expects its total investments to be between £10,000 and £100,000, it is encouraged to adopt the principles in this guidance'.
3. The Guidance defines an **investment** as covering all of the financial assets that the organisation holds primarily or partially to generate a profit.
4. The Guidance recommends that a council produces an Annual Investment Strategy which sets out its policy for managing the investments and giving priority to their security and liquidity, but acknowledging that potential revenue should not be ignored. The Secretary of State recommends that strategy should be approved by the full council before the start of each financial year, but may be revised with the approval of the full council at any point during the financial year.
5. Financial Investments can fall into one of three categories:

Specified Investment – one which is made in sterling, is not long term (less than 12 months), not defined as capital expenditure and is placed with a body which has a high credit rating or made with the UK Government, a UK Local Authority or a parish or community council.

Loans – these can be made to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth, even though those loans may not be seen as prudent if adopting a narrow definition of prioritising security and liquidity.

Non-specified investments – any financial investment that is not a loan and does not meet the criteria to be treated as a specified investment.

Objectives

6. The Council's investment priorities are:

- the security of its reserves;
- the liquidity of its investments; and
- return

The Parish Council will seek the optimum rate of return, consistent with the proper levels of security and liquidity.

7. All investments will be made in sterling and, as a minimum, surplus funds will be aggregated in an interest-bearing bank account. Consideration will be given to whether the providers' investments are environmentally ethical and aid the Parish Council in reducing its carbon footprint.

8. The Parish Council will comply with the Secretary of State's Guidance in relation to council investments in full (Department for Communities & Local Government "Guidance on Local Government Investments" 3rd Edition updated February 2018). The Department for Communities and Local Government maintains that borrowing of monies purely to invest, or to lend and make a return, is unlawful and this Council will not engage in such activity

Investment Choices

9. Chigwell Parish Council has decided that it will only make specified investments. Currently Specified Investment are those offering high security and high liquidity, made in sterling with a maturity of no more than a year not defined as capital expenditure under relevant regulations. Such short-term investments made with a body or investment scheme of high credit quality (including the UK Government or a local authority or town/parish council) will automatically be Specified Investments.

10. Loans and non-specified investments do not form part of Chigwell Parish Council's investment strategy as they are considered to offer too much risk to be compatible with the objective of a proper level of security for investments.

11. Only Full Council has the authority to make and approve any short-term investments (maximum of twelve months), in accordance with the Annual Investment Strategy, based upon recommendations from the Council Finance and Governance Committee and Responsible Finance Officer.

12. This investment strategy will be subject to an annual review.

Last reviewed: 23 May 2023

Review due: May 2024