

INVESTMENT POLICY & ANNUAL INVESTMENT POLICY

DEFINITIONS

- In this guidance, 2003 Act means the Local Government Act 2003.
- An **investment** is a transaction which relies upon the power in section 12 of the 2003 Act and is recorded in the balance sheet under the heading of investments within current assets or long-term investments.
- A **long-term investment** is any investment other than one which is due to be repaid within 12 months of the date on which it is made, or one which the Parish Council (PC) may require to be repaid within that period.
- A **credit rating agency** is one of the following: Standard & Poor's, Moody's Investors Services Ltd; Fitch Ratings Ltd.,

APPLICATION

- Where the 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 guidanceⁱ in relation to that year.

ANNUAL INVESTMENT STRATEGY

- An **Annual Investment Strategy** should be approved by the Full Council before the start of the financial year to which the Strategy relates.
- Variations to the Strategy may be made at any time, subject to the same process of approval by the full Council.

SECURITY OF INVESTMENTS

- **Specified investments** An investment is a **specified investment** if:
 - a) the investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling;
 - b) the investment is not a long-term investment (as defined in paragraph 3);
 - c) the making of the investment is not defined as capital expenditure by virtue of regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146 as amended]; and
 - d) the investment is made with a body or in an investment scheme which has been awarded a high credit rating (see paragraph below) by a **credit rating agency** or is made with any of the following:

- i) the United Kingdom Government,
 - ii) a local authority in England or Wales (as defined in section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland.
- For the purposes of (d) above the **Annual Investment Strategy** should state:
 - a) How **high credit rating** is to be defined for the categories of investments which the PC intends to use in the financial year.
 - b) How and how frequently **credit ratings** are to be monitored and what action is to be taken when ratings change.

NON SPECIFIED INVESTMENTS

- With regard to non-specified investments (those not meeting the definition in **specified investments** above, the **Annual Investment Strategy** should state:
 - a) Procedures for determining which categories or such investments may prudently be used;
 - b) which categories of such investments have so far been identified as prudent for use during the financial year; and
 - c) the upper limits for the amounts which, at any time during the financial year, may be held in each identified category and for the overall amount which may be held in **non-specified investments** (the limits being defined by reference to a sum of money or a percentage of the PC's overall investments).

LIQUIDITY OF INVESTMENTS

The **Annual Investment Strategy** should set out procedures for determining the maximum periods for which funds may prudently be committed.

Document History

Approved and adopted	January 2019	(version 1)
Reviewed by Parish Council	June 2023	(version 1)

ⁱ DCLG guidance at APPENDIX I

ANNUAL INVESTMENT POLICY

BERRYFIELDS PARISH COUNCIL

INTRODUCTION

Berryfields Parish Council (BPC) acknowledges the importance of prudently investing the temporarily surplus funds held on behalf of the community.

This Strategy complies with the revised requirements set out by the Secretary of State for Communities and Local Government under section 15(1)(a) of the Local Government Act 2003, which came into effect on the 1st of April 2010.

INVESTMENT OBJECTIVES

In accordance with Section 15(1) of the 2003 Act, the Council will 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.

The Council's investment priorities are the security of reserves and the liquidity of its investments. The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

All investments will be made in sterling.

The Department for Communities and Local Government (DCLG) 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.

SPECIFIED INVESTMENTS

Specified Investments are those offering high security and high liquidity, made in sterling and maturing within a year. Such short term investments made with the UK Government or a local authority, will automatically be Specified Investments.

BERRYFIELDS PARISH COUNCIL

Roman Park Hall, Sir Henry Lee Crescent, Aylesbury HP18 0YT

Telephone: 01296 925750

Email: clerk@berryfieldspc.org



For the prudent management of its treasury balances, maintaining sufficient levels of security and liquidity, the Berryfields Parish Council will use deposits with banks, building societies, local authorities or other public authorities.

Currently the Council will invest spare monies in banks which satisfy the risk analysis as agreed by the Council. To satisfy this strategy each bank must hold a UK banking license, have a Tier One Capital Ratio of at least 7% and published Credit Ratings by Moody's of at least Aa3 and Fitches of AA-.

Monies can also be invested in NS&I products as NS&I is part of the UK Treasury department.

NON-SPECIFIED INVESTMENTS

These investments have greater potential risk – examples include investment in the money market, stocks and shares.

Given the unpredictability and uncertainties surrounding such investments, the BPC will not use this type of investment.

LIQUIDITY OF INVESTMENTS

The Clerk/ Responsible Finance Officer in consultation with the full Council of Berryfields Parish Council will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.

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

Long term investments shall be defined as greater than 12 (twelve) months. The Council will use the same criteria for assessing long term investment as identified for Specified Investments.

The Council does not currently hold any long term investments.

INVESTMENT APPROVAL

BPC shall consider and make investments, in accordance with the Annual Investment Policy.

REVIEW AND AMENDMENT OF REGULATIONS

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The policy will be reviewed annually at the Annual Parish Council Meeting held in May.

BPC does not employ in-house or externally any financial advisors but will rely on information which is publicly available.

BPC reserves the right to make variations to the Policy 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 office.

APPENDIX I

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Department for Communities and Local Government

Rectangular Snip

GUIDANCE ON LOCAL GOVERNMENT INVESTMENTS

Issued under section 15(1)(a) of the *Local Government Act 2003*
and effective from 1 April 2010

(1) POWER UNDER WHICH THE GUIDANCE IS ISSUED

1.1 The following guidance is issued by the Secretary of State under section 15(1)(a) of the *Local Government Act 2003*.

(2) DEFINITIONS OF TERMS

2.1. In this guidance, **2003 Act** means the *Local Government Act 2003*.

2.2. **Local authority** (except in paragraph 5.1(d) below) has the meaning given in section 23 of the 2003 Act (and in regulations made under that section). To the extent that this guidance applies to parish councils and charter trustees (see paragraph 3.3), a reference to a "local authority" includes those councils and trustees.

2.3. An **investment** is a transaction which relies upon the power in section 12 of the 2003 Act and is recorded in the balance sheet under the heading of investments within current assets or long-term investments. The term does not include *pension fund and trust fund investments*, which are subject to separate regulatory regimes and are therefore not covered by this guidance.

2.4. A **long-term investment** is any investment other than (a) one which is due to be repaid within 12 months of the date on which the investment was made or (b) one which the local authority may require to be repaid within that period.

2.5. A **credit rating agency** is one of the following three companies: *Standard and Poor's*; *Moody's Investors Service Ltd*; *Fitch Ratings Ltd*.

(3) APPLICATION

Effective date

3.1 This guidance applies with effect from 1 April 2010 and supersedes the guidance issued on 12 March 2004.

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Parish councils and charter trustees

3.3 This guidance applies to parish councils and charter trustees, subject to the following:

(a) Where the parish council or charter trustee expects its investments at any time during a financial year to exceed £500,000, the guidance should apply in relation to that year.

(b) Where the parish council or charter trustee 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.

(c) Where the parish council or charter trustee expects its investments at any time during a financial year not to exceed £10,000, no part of this guidance need be treated as applying in relation to that year.

(4) INVESTMENT STRATEGY

Preparation

4.1 The Secretary of State recommends that for each financial year a local authority should prepare at least one investment Strategy ("the Strategy") in accordance with the timetable in paragraphs 4.5 and 4.6.

4.2 The Strategy should set out the authority's policies for the prudent management of its investments and for giving priority, firstly, to the security of those investments and, secondly, to their liquidity. It should therefore identify the procedures for monitoring, assessing and mitigating the risk of loss of invested sums and for ensuring that such sums are readily accessible for expenditure whenever needed.

4.3 The detailed contents of Strategy should be in accordance with paragraphs 5.1 to 7.1, but may include other matters considered relevant.

Approval

4.4 The Strategy should be approved by the full council. For authorities without a full council, the Strategy should be approved at the closest equivalent level.

Timing

4.5 The Secretary of State recommends that for any financial year an investment Strategy ("the initial Strategy") should be prepared and approved before the start of that year.

4.6 The initial Strategy may be replaced by another Strategy ("the revised Strategy") at any time during the year, on one or more occasions, subject to the same process of approval. The initial Strategy should specify circumstances in which a revised Strategy

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is to be prepared, but a revised Strategy may be prepared in other circumstances, if at any time it is considered appropriate.

Publication

4.7 The Secretary of State recommends that the initial Strategy and any revised Strategy should, when approved, be made available to the public free of charge, in print or online.

(5) INVESTMENT SECURITY

Specified investments

5.1 An investment is a **specified investment** if all of the following apply:

- (a) the investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling;
- (b) the investment is not a *long-term investment* (as defined in paragraph 2.4);
- (c) the making of the investment is not defined as *capital expenditure* by virtue of regulation 25(1)(d) of the *Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146 as amended]*;
- (d) the investment is made with a body or in an investment scheme of *high credit quality* (see paragraph 5.2); or with one of the following public-sector bodies:
 - (i) the United Kingdom Government
 - (ii) a local authority in England or Wales (as defined in section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland
 - (iii) a parish council or community council.

5.2 For the purposes of paragraph 5.1(d), the Secretary of State recommends that the Strategy should define *high credit quality* (and where this definition refers to *credit ratings*, paragraph 6.1 is relevant).

Non-specified investments

5.3 With regard to **non-specified investments** (ie those not meeting the definition in paragraph 5.1), the Secretary of State recommends that the Strategy should:

- (a) set out procedures for determining which categories of such investments may prudently be used (and where these procedures involves the use of *credit ratings*, paragraph 6.1 is relevant);
- (b) identify which categories of such investments have so far been identified as prudent for use during the financial year; and
- (c) state the upper limits for the amounts which, at any time during the financial year, may be held in each identified category and for the overall amount which may be held in non-specified investments (the limits being defined by reference

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to a sum of money or a percentage of the authority's overall investments or both).

(6) INVESTMENT RISK

Risk assessment

6.1 The Secretary of State recommends that the Strategy should state the authority's approach to assessing the risk of loss of investments, making clear in particular:

- (a) to what extent, if any, risk assessment is based upon credit ratings issued by one or more credit rating agencies;
- (b) where credit ratings are used, how frequently credit ratings are monitored and what action is to be taken when ratings change; and
- (c) what other sources of information on credit risk are used, additional to or instead of credit ratings.

Treasury management advisers

6.2 The Secretary of State recommends that the Strategy should state:

- (a) whether and, if so, how the authority uses external advisers offering information, advice or assistance relating to investment; and
- (b) how the authority monitors and maintains the quality of any such service.

Investment training

6.3 The Secretary of State recommends that the Strategy should state what process is adopted for reviewing and addressing the needs of the authority's treasury management staff for training in investment management.

Investment of money borrowed in advance of need

6.4 The Secretary of State recommends that the Strategy should state the authority's policies on investing money borrowed in advance of spending needs. This statement should identify any measures to manage the amount of such investments, including any limits on (a) amounts borrowed and (b) periods between borrowing and expenditure. The statement should also comment on the management of the risks involved, including balancing the risk of investment loss against the risk of higher interest rates if borrowing is deferred.

(7) INVESTMENT LIQUIDITY

7.1 The Secretary of State recommends that the Strategy should set out procedures for determining the maximum periods for which funds may prudently be committed.
