

# Morston Parish Council Investment Strategy

Investment Strategy 5 year plan 2023-28

Adopted: July 2023

Review Annually in February (alongside financial statement)

## 1. *Introduction*

Morston Parish Council acknowledges the importance of prudent investment of surplus funds held on behalf of the community it serves. This Strategy has been prepared in accordance with the Guidance on Local Government Investments ('the Guidance') issued under section 15(1) of the Local Government Act 2003, effective from 1st April 2018.

The guidance states:

- a. Where a Town or Parish Council 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 a Town or Parish Council expects its investments at any time during a financial year to exceed £10,000 but not £100,000, 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 a Town or Parish Council expects its investments during any time during a financial year not to exceed £10,000, no part of the Guidance need be treated as applying in relation to that year.

The Parish Council expects its investment during 2023/24 financial year to exceed £10,000 but not £100,000 and therefore has agreed to apply the Guidance as set out below.

## 2. *Investment Objectives*

Morston Parish Council's investment objectives are:

- a. Security of its funds.
- b. Liquidity of its investments to meet the Parish Council's needs.
- c. To optimise the return on its investments commensurate with a prudent view of risk to reward.

All investments will be made in sterling and, as a minimum, surplus funds will be aggregated in an interest-bearing bank account.

Government guidance maintains that borrowing of monies purely to invest, or lend and make a return, is unlawful and this Parish Council will not engage in such activity.

## 3. *Security of Investments*

### 3.1 Specified short term investments

Specified investments are those offering high security and high liquidity with a maturity of no more than one year. In addition, short-term sterling investments must be with bodies/institutions with "high credit ratings".

### 3.2 Non-Specified Investments

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Non-specified investments are usually for longer periods (i.e. more than one year) and with bodies that are not highly credit rated.

Non-specified investments are not included in the Investment Strategy for this Parish Council as these investments are not acceptable due to their higher potential risk.

### 4. *Liquidity of Investments*

The Responsible Financial Officer (RFO) in consultation with the Full Council will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.

### 5. *Long Term Investment*

Long term investments shall be defined as greater than one year. The Parish Council will use the same criteria for assessing long term investment as identified above for specified investments. The Parish Council proposes to hold a long-term investment in 'UK Government Bonds' (Gilts). The investment is compliant with this Strategy.

### 6. *Risk Assessment*

The Parish Council's reserves are covered by the Financial Compensation Scheme up to £85,000 per bank or other financial institution and must therefore be carefully managed to mitigate the risk of losses.

The Parish Council will only invest in institutions of "high credit quality" as set out in 3. of this strategy.

The Parish Council will monitor the risk of loss on investments by reference to credit ratings

The Parish Council should aim for ratings equivalent to the Standard and Poor's (S&P) rating for long term investments of AA- or better.

The Parish Council will also have regard for the general economic and political environment in which institutions operate.

The investment position will be reviewed bi-annually by the Responsible Financial Officer or The Chair and a report prepared for the Full Council.

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

### 7. *Investment Approval and Reporting*

RFO with the Chair has the delegated authority to consider and make short-term investments (maximum) of 12 months, in accordance with this Policy, subject to prior approval of the investment provider by Full Council.

### 8. *Review and Amendment of Regulations*

The Investment Strategy will be reviewed annually by Full Council in February for the forthcoming financial year.

### 9. *Freedom of Information*

In accordance with the freedom of Information Act 2000, this document will be posted on the Parish Council's website [www.morstonparishcouncil.co.uk](http://www.morstonparishcouncil.co.uk) and available in paper form from the Clerk & The Chair.

\*Standard and Poor's is one of the big three credit rating agencies, the other two being Moody's and Fitch Ratings. AAA is the highest long term credit quality, which indicates the strongest intrinsic capacity for timely payment of financial commitments.