



INVESTMENT STRATEGY

CLIFFE & CLIFFE WOODS PARISH COUNCIL

1. Introduction

1.1 Cliffe and Cliffe Woods Parish Council acknowledges the importance of prudently investing the funds held on behalf of the community.

1.2 This strategy has been prepared in accordance with the Guidance on Local Government Investments ('the Guidance'), issued under section 15(1)(a) of the Local Government Act 2003, effective from 1st April 2018.

1.3 The Guidance states:

a) Where a town or parish council expects its investments at any time during a financial year to exceed £100,000, 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 at 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.

1.4 Cliffe and Cliffe Woods Parish Council's investments during the 2024/25 financial year will exceed £100,000 and therefore has agreed to apply the Guidance as set out below.

2. Definitions

2.1 The following definition of terms apply.

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: for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations.

For the avoidance of doubt, the definition of an investment also covers loans made by a local authority to one of its wholly owned companies or associates, to a joint venture, or to a third party. The term does not include pension funds or trust fund investments, which are subject to separate regulatory regimes and therefore are not covered by this guidance.

A **credit rating agency** is one of the following three companies:

- Standard and Poor's
- Moody's Investors Service Ltd; and
- Fitch Ratings Ltd

3. Investment Objectives

3.1 The council's investment priorities are:

- the security of its reserves.
- the liquidity of its investments

3.2 The council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity being maintained.

3.3 All investments will be made in sterling, and, as a minimum, surplus funds will be aggregated in interest-bearing accounts.

3.4 The 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.

4. Security of Investments

4.1 Financial investments can fall into one of three categories:

- Specified Investments.
- Other non-specified investments

Specified Investments

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

- The investment is denominated in sterling and any payments or repayments in the respect of the investment are payable only in sterling.
- The investment is not a long-term investment. This means that the local authority has contractual right to repayment within 12 months, either because that is the expiry term of the investment or through a non-conditional option.
- 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 [as amended].
- The investment is made with a body or in an investment scheme described as high quality or with one of the following bodies:
 - The United Kingdom Government.
 - 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; or
 - A parish council or community council.

4.3 For the prudent management of its treasury balances, maintaining sufficient levels of security and liquidity, the council will use:

- UK banks and UK building societies.
- Public Bodies (including the UK Government and local authorities).
- UK FCA regulated qualifying money market funds with a triple A rating.

Non-specified investments

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

4.5 No non-specified investments are included in the Investment Strategy for the council.

5. Liquidity of Investments

5.1 The Responsible Finance Officer in consultation with the Finance and General Purposes (F&GP) Committee of Cliffe and Cliffe Woods Parish Council (or Full Parish Council) will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.

6. Long Term Investments

6.1 Long term investments shall be defined as greater than one year. The council will use the same criteria for assessing long term investment as identified above for specified investments.

6.2 The council does not hold any long-term investments.

7. Risk Assessment

7.1 The Parish Council's reserves are covered by the Financial Services Compensation Scheme up to the deposit limits of the scheme and must therefore be managed carefully to mitigate the risk of losses.

7.2 The council will only invest in institutions of "high credit quality" as set out in section 3.2 of this strategy. Investments will be spread over different providers where appropriate to minimise risk.

7.3 The council will monitor the risk of loss on investments by reference to credit ratings. The council should aim for ratings equivalent to the Fitch rating A (low default risk). The council will also have regard for the general economic and political environment in which institutions operate.

7.4 The investment position will be reviewed by the Responsible Financial Officer and reported to the Finance and General Purposes Committee and full council as part of the regular financial report.

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

8. Use of Investment Managers

8.1 If external investment managers are used, they will be contractually required to comply with this strategy.

9. Investment Approval

9.1 The Finance & General Purposes Committee has the delegated authority to consider and recommend any short-term investments (maximum of twelve months), in accordance with this Investment Strategy, subject to the final approval of the investment provider by the parish council. All resolutions relating to investments will be noted in the minutes of meetings.

10. Review and Amendment of Regulations

10.1 The Investment Strategy will be reviewed annually.

10.2 The Annual Strategy for the coming financial year will be prepared and reviewed by the Finance & General Purposes Committee which will then make a recommendation to the Full Council.

10.3 The council reserves the right to make variations to the Strategy at any time, subject to the approval of the Full Council. Any variations will result in an updated strategy being published.

11. Transparency

11.1 This strategy will be posted on the Parish website and a hard copy will be available from the Parish Clerk.

12. Account Management Arrangements

12.1 This section sets out the maximum and minimum balances to be held across the council's accounts during financial year 2025/26.

12.2 The RFO will be responsible for maintaining balances within the parameters shown. Balances are reported each month in the financial report.

12.3 As large deposits, such as precept and CIL or movements between accounts usually occur at the end of the month, the Parish Clerk may hold a balance greater than the maximum specified for a limited period, until a transfer can be made. Where this occurs, it will be noted in the financial report.

13. Account balances

13.1 The minimum and maximum investments are based either upon the limits in place on individual accounts, or at levels required to for day-to-day management purposes.

Account Name	Minimum Balance	Maximum Balance
Nat West Current	£300	£300
Nat West Reserve	£1	£84,300
NS&I Bond	£20	£1million

13.2 The RFO will look to spread risk across the different financial institutions where accounts are held.

13.3 If combined balances are expected to exceed £170,000 in the year the RFO will bring forward updated balance proposals to the Finance & General Purposes Committee.

Appendix A

Risk Assessment 2025/26

Fitch Credit Agency Ratings Financial Organisation Rating

Financial Organisation	Rating	As at
Nat West	A	21 st November 2024
NS&I	n/a Government	

Fitch uses a letter system for their ratings. For example, a company rated AAA is very high quality with reliable cash flows, while a company rated D has already defaulted. A rating indicates low default risk but slightly more vulnerable to business or economic factors. MMF means money market fund.

Financial Services Compensation Scheme (FSCS)

The first £85,000 of investment in each financial institution will be compensated if a bank or building society fails. Where multiple accounts are held with bank that are part of the same banking group they are treated as one bank.

The CCLA Public Sector Deposit Fund is not covered by the FSCS.

Risk of failure

The risk of failure of any of the financial institutions used by the Parish Council is low. The UK Government is unlikely to allow a major high street provider to fail as evidenced by the Financial Crisis of 2007/08.

Adopted: 20/3/2025