



# **INVESTMENT POLICY & ANNUAL INVESTMENT STRATEGY**

## **1. Introduction**

This document sets out a prudent approach to managing funds held by Hassocks Parish Council and ensures compliance with legislation and statutory guidance.

The Local Government Act 2003 Section 12 gives Parish Council's the power to invest (subject to risk-mitigation directions)

- a) for any purpose relevant to its functions under any enactment, or
- b) for the purposes of the prudent management of its financial affairs.

Section 15(1) of the Act requires a local authority to have regard to guidance issued by the Secretary of State. This policy takes account of the Statutory Guidance on Local Government Investments (3rd Edition), issued by the Secretary of State for Housing, Communities and Local Government which came into effect on 1 April 2018.

The Statutory Guidance requires Parish Council's with investments of over £100,000 to prepare an Annual Investment Strategy, to be approved by full Council and made publicly available on the website.

The definition of an investment covers all of the financial assets held by the Council to primarily or partially generate a profit; this includes property portfolios and loans. It is unlawful for a Parish Council to borrow money purely to invest or to lend and make a return.

## 2. Investment Types

Short term investments are those which have a maturity of 12 months or less. Short term investments are considered as bank accounts and remain on the Parish Council's balance sheet.

Long term investments which have a maturity of 12 months or more will be recorded in the accounting records as expenditure and added to the Parish Council's asset register. At maturity the total proceeds will be recorded as income, and the long-term investments will be removed from the Parish Council's asset register.

Financial investments fall into one of three categories.

### 2.1. Specified Investments:

These are considered low-risk and must meet all of the following criteria:

- Made in sterling
- Maturity of no more than one year
- Not defined as capital expenditure
- Made with a body or investment scheme of high credit quality, such as the UK Government, a UK local authority, a UK bank or building society with a high credit rating.

### 2.2. Non-Specified Investments:

Any financial investment that is not a loan and does not meet the criteria to be treated as a specified investment. They may include:

- Investments with a maturity of more than one year
- Investments in bodies not considered high credit quality
- Currency other than sterling
- More complex instruments like corporate bonds or pooled investment vehicles

Non specified investments have potential greater risk and include investments in the money market, stocks and shares.

### 2.3. Loans

Under certain circumstances, Parish Councils can choose to make loans 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 all be seen as prudent if adopting a narrow definition of prioritising security and liquidity.

### 3. Investment Objectives

The Statutory Guidance requires consideration of security, liquidity and yield, in that order of importance:

- **Security** - protecting the capital sum invested from loss; and
- **Liquidity** - ensuring the funds invested are available for expenditure when needed.
- **Yield** – maximising income based on consideration of financial risks and the contribution of the investment activity.

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

### 4. Annual Investment Strategy

Hassocks Parish Council will:

- make all deposits in £ sterling in UK registered financial institutions covered by the Financial Services Compensation Scheme (FSCS)<sup>1</sup>
- only use banks or building societies with investment grade credit ratings of BBB- (or equivalent) or higher<sup>2</sup>
- diversify across a range of banks and investment managers to reduce the overall risk
- hold investments and deposits to support the daily cashflow requirements in instant access current and/or savings accounts
- retain a minimum of three months estimated expenditure in interest bearing current and deposit accounts giving instant or up to 30-day access
- limit exposure to non-specified investment funds to a maximum of 25% of Council reserves (Earmarked and General)
- not invest in any product that takes more than 12 months to come to maturity, unless specifically approved by the Policy, Communications and Resources Committee

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<sup>1</sup> The FSCS was set up under the Financial Services and Markets Act 2000. With effect from 1 Dec 2025, it will protect deposits of up to £120,000 in UK banks, building societies and credit unions that are registered with the Prudential Regulation Authority (PRA). To be eligible Parish Councils must have an annual budget of up to €500,000 (approx. £440,000) and in 2026/27 Hassocks Parish Council will fall within the threshold.

<sup>2</sup> A credit rating agency is one of the following - Standards and Poor's; Moody's Investors Services Ltd; and Fitch Ratings Ltd

- avoid investments in institutions or instruments that conflict with council values

All investments will be managed and administered by the Clerk/Responsible Financial Officer.

The Council does not employ any financial advisors but will rely on information which is publicly available supported by professional guidance as necessary. Any organisation, person or company, giving such advice, including suitable qualified professional financial advisors will be required to ensure that advice given complies with this policy.

Councillors do not necessarily need formal training in understanding investment risks to satisfy the requirements of the statutory guidance. Depending on their level of expertise a presentation setting out the risks and opportunities of an investment strategy/specific investment, in terms a layperson would understand, should be sufficient to meet the statutory requirements.

## 5. Monitoring and Review

Finance and budget monitoring reports will be presented to the Policy Resources and Communications Committee. These reports will record interest received and track returns on investments.

This policy will be reviewed by the Policy, Resources and Communications Committee on an annual basis and shall be submitted for approval of the Full Council prior to the start of the financial year.

Where it is proposed to make a material change to the Annual Investment Strategy during the year, revisions should be presented to Full Council for approval before the change is implemented.