Pensax Parish Council
Annual Investment Strategy 2026

Introduction

HM Government issued statutory guidance on local government investments under section 15(1)(a) of the Local Government Act 2003. Under that section, local authorities, including parish councils, must 'have regard' to 'such guidance as the Secretary of State may issue'.

The guidance states that for each financial year, a local authority should prepare an investment strategy approved by the full council and make it publicly available. The term 'investment' covers all financial assets of a local authority and other non-financial assets that the organisation holds, primarily or partially, to generate a profit.

The guidance is effective for financial years commencing on or after 1 April 2018. It applies to parish councils whose investments exceed or are expected to exceed £100,000 at any time during the financial year. Where a parish council expects its investments to be between £10,000 and £100,000, it should adopt the guidance principles.

Pensax Parish Council:
Does not hold the General Power of Competency (May 2026)
Holds £207123 as capital receipts for use only as a capital investment(s) (April 2026)

Fundamental Principles of the Strategy

- The Parish Council will have regard to such guidance as the Secretary of State has issued and may issue.

- The Parish Council will have regard to The Prudential Code for Capital Finance In Local Authorities.

- The strategy is based on two significant principles of security (protecting the Parish Council's funds from loss) and liquidity (ensuring funds are available when needed), plus a subsidiary principle of yield (where consistent with security and liquidity).

- Borrowing by the Parish Council is regulated by law. The Council is not allowed to borrow more than or in advance of its needs purely to profit from the investment of borrowed funds.

1. Investments Covered by the Guidance
For this guidance, Financial Investments are financial assets comprising Specified Investments, Loans and Non-Specified Investments.

- ***Specified Investments*** are denominated in sterling, provide a right of repayment within one year and are not classified as capital expenditure under HM Government regulations. They are made with bodies or schemes of high quality, which may include the UK Government, local authority or another town/parish council.

- ***Loans*** mean loans made to appropriate organisations as part of a strategy to promote local economic growth. (If the council has the General Power of Competency)

- ***Non-specified Investments*** do not satisfy the Specified Investments criteria; therefore, they generally carry greater risk. The Parish Council does not make non-specified investments.

1.1. For this guidance, Non-Financial Investments are non-financial assets held primarily or partially to generate a profit. The Parish Council considers that its non-financial assets do not qualify as investments because they are held solely for community and operational reasons and not for any profit motive. This does not obviate the need for the Parish Council to ensure: (a) it achieves value for money when acquiring or otherwise taking on a non-financial asset, and (b) it monitors asset values to ensure adequate insurance cover is maintained. Non-financial assets are listed in the Parish Council's asset register, which supports insurance cover maintained by the Parish Council; the register records both historical cost and insured replacement values.

2. **Management of Parish Council Specified Investments**

2.1. The Parish Council's Specified Investments comprise cash balances held in accounts with one or more recognised financial institutions. Cash balances are recorded in the Parish Council's annual statement of accounts and the externally audited annual return. These documents are published on the Parish Council website.

2.2. The Parish Council will maintain a current bank account for making and receiving payments; the selected bank account will need to meet the Parish Council's agreed operational requirements.

2.3. The Parish Council will hold one or more accounts for surplus funds.

2.3. Accounts will be selected according to the principles:
security, liquidity and yield

2.4.1. ***Security*****:** The Parish Council will seek to protect surplus funds from loss by:

- Opening accounts only with institutions of high quality, referring to relevant sources of financial, economic and ratings information

- Having regard to industry deposit protection schemes such as the Financial Services Compensation Scheme

- Eliminating exchange risk by holding all balances in sterling

- Making regular checks to ensure compliance with the applicable limits.

2.4.2. ***Liquidity*****:** The Parish Council will seek to ensure sufficient funds are readily available to meet its expenditure commitments by holding surplus funds in accounts:

- From which transfers can easily be made to the Parish Council's current account, e.g. managed via online banking;

- Which requires at most 95 days' notice to withdraw funds.

2.4.3 ***Yield:*** The Parish Council will consider the available yields when deciding where to hold surplus funds. It will seek to maximise yield if the security and liquidity prudence objectives are met.

Regular checks will be made to identify forthcoming payment requirements and to ensure appropriate funds are available.

3. Loans

3.1. If the council is granted the General Power of Competence, it may include loans to local enterprises, local charities, wholly owned companies or joint ventures as part of a broader strategy to enhance the local facilities, services and environment.

3.2. Requests for loans will be considered case-by-case, particularly against security and liquidity criteria.

3.3. In particular, the following conditions will apply:

- The Parish Council must see satisfactory evidence of the borrower's ability to repay the loan. Before a loan is authorised, the Council must ensure that guarantees/guarantors for repayment are found to be acceptable.

- The Full Council must approve the granting of any loan.

- Any loan shall be documented by an agreement between the parties in writing, including the loan term and repayment arrangements. These costs will form part of the loan.

- The total sum outstanding by way of Parish Council loans must be proportionate and within an overall limit for this type of loan agreed upon by the Parish Council.

- The Parish Council will account for any expected loss in accordance with the requirements of statutory guidance.

- The maximum period of repayment of a loan is 5 years. The interest rate applied to the loan shall be the average base rate, as supplied by the Council's bankers, plus 1.0%, or 4.0% whichever greater.

4. **Capacity, Skills and Culture**

4.1. The Parish Council commits to ensuring that members and staff involved in decisions relating to and management of investments have the relevant capacity, skills and information to make informed decisions as to whether to enter into a specific investment, to evaluate individual investments in the context of strategic objectives and to understand the impact of decisions on the overall risk exposure of the Parish Council.

4.2. The Parish Council will meet its commitment by providing training, using external advisers, reporting, and communicating through appropriate communication channels.

5. **Transparency and Democratic Accountability**

5.1. This Investment Strategy shall be reviewed each year and presented for approval to Full Council; wherever possible, preferably before the start of each financial year or after elections.

5.2 Proposals for any material changes during the year will be presented to Full Council for approval.

5.3 This Investment Strategy and subsequent updates will be published on the Parish Council website.