INVESTMENT POLICY

Date to be reviewed	Committee	Date approved by Council
5th March 2024	Estates & Finance	12th March 2024
March 2025		

Introduction

1. This policy has been produced in accordance with the statutory guidance on Local government Investments (3rd Edition) issued under Section 15(1) (a) of the Local Government Act 2003 and effective for financial years commencing on or after 1st April 2018.

2. The guidance applies to parish councils providing their total investments exceed or are expected to exceed £100,000 at any time during the financial year and the Council is required to make it available on its web site or paper copy.

3. If the Council proposes to make a material change to its policy during the year a revised policy will be presented to full council for approval before the change is implemented.

Requirements

4. The Council is required to have a prudent investment policy with two underlying objectives:

- **Security** – protecting the capital sum invested from loss; and
- **Liquidity** – ensuring the funds invested are available for expenditure when needed.

5. Once proper levels of security and liquidity are determined, it will then be reasonable to consider what yield can be obtained consistent with these priorities.

- **Yield** is the return made on the Council investments.

6. When entering into treasury management[1] investments, the Council will consider security, liquidity and yield in that order of importance.

7. When entering into other types of investments the Council will consider the balance between security, liquidity and yield based on their risk appetite and the contribution(s) of that investment activity.

8. If the Council enters into a long-term investment or takes out long term debt to finance an investment, project progress will be used to allow Councillors and the general public to assess the risks and opportunities of the investment over both its payback period and over the repayment period of any debt taken out.

9. The Council aims to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The borrowing of money purely to invest or lend and make a return is unlawful and the Council will not engage in such activity.

Investments and Loans

10. The definition of an investment covers all of the financial assets of the Council as well as other non-financial assets that it holds primarily or partially to generate a profit; for example, investment property portfolios. The definition of an investment also covers loans made by the Council to one of its wholly owned companies or associates, to a joint venture, or to a third party.

11. A loan is a written or oral agreement where the Council temporarily transfers cash to a third party, joint venture, subsidiary or associate who promises to return it according to the terms of the agreement, normally with interest.

12. Financial investments can fall into one of three categories:

1. Specified investments

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.

[1] Treasury Management is defined as: The *management* of the organisation's investments and *cash* flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

- The investment is made with a body or in an investment scheme described as high quality[2] or with one of the following bodies: The United Kingdom Government, a local authority in England or Wales, a parish council or community council.

2. Loans

- The Council may 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.
- The Council will make a loan as long as it can demonstrate the following:
- Total financial exposure to the type of loan is proportionate.
- Control arrangements to recover overdue repayments are place.
- The Council has formally agreed the total level of loans by type that it is willing to make within an agreed limit.

3. Non-specified investments.

- A non-specified investment is any financial investment that is not a loan and does not meet the criteria to be treated as a specified investment. If the Council decides to make a non-specified investment it will:
- Set out procedures for determining which categories of investments may be prudently used using credit ratings.
- Identify which categories of investments have been defined as suitable for use.
- State the upper limits for the maximum amounts both individually and cumulatively that may be held in each identified category and for the overall amount held in non-specified investments and confirm that investments made have remained within those limits.

Non-financial investments

- Non-financial investments are non-financial assets that the organisation holds primarily or partially to generate a profit. Assets that generate revenue income solely through fees and charges for discretionary services levied under Section 93 of the Local Government Act 2003 should not be classified as non-financial investments for this purpose.
- The Council may have several different objectives, when deciding to acquire an asset. If an asset is not solely held for yield, the Council may have a different risk appetite or be willing to accept a lower return than it otherwise would.

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[2] High Quality is defined as a credit rating by one of the following three companies: Standard and Poor's; Moody's Investors Service Ltd; and Fitch Ratings Ltd.

- Where the Council classifies an investment as contributing to regeneration or local economic benefit, it should be able to demonstrate that the investment forms part of a project in its Neighbourhood/Local Plan.
- If the Council decides to hold a non-financial investment it will need to seek additional guidance and detail the approach to assessing the following:
- Risk of loss before entering into and whilst holding an investment, making clear in particular: How it has assessed the market that it is/will be competing in, the nature and level of competition, how it thinks that the market/customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements.
- How, it will use external advisors be they treasury management advisors, property investment advisors or any other relevant persons.
- How the Council monitors and maintains the quality of advice provided by external advisors and to what extent, if at all, any risk assessment is based on credit ratings issued by credit ratings agencies.
- If credit ratings are used, how frequently they are monitored and the procedures for taking action if credit ratings change?
- Other sources of information are used to assess and monitor risk.

Borrowing

13. Before the Council can borrow a sum of money, it must obtain a borrowing approval from the Department for Levelling Up, Communities and Local Government (DLUCLG). The application is submitted via the Gloucestershire Association of Town and Parish Councils (GATPC) who will review the application, make sure that it is complete and then forward it to DLUCLG for approval.

14. The process to be followed and the criteria applied in deciding whether or not borrowing approvals likely to be forthcoming, are detailed in the Guide to Parish and Town Council Borrowing in England, jointly published by the DLUCLG. and NALC. The criteria for external borrowing will be reviewed before the Council considers applying for any loan.

15. All such borrowing applications must be approved by the full Council.

16. The Council will not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.

Capacity Skills and Culture

17. Locally elected Councillors may not always have the background and expertise to understand the risks associated with the decisions that they are being asked to make. For this reason the guidance extends the requirements on capacity and skills to Councillors and any statutory officers involved in or responsible for signing off on investment decision.

18. The Council will offer all Councillors training with GAPTC.

19. The Responsible Financial Officer (RFO) will undertake regular training and refresher training as required.

20. 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 layman would understand, may be sufficient to meet the new requirements.

21. The Government is aware that many local authorities have brought in outside expertise to identify and negotiate investment opportunities. Whilst this can be an effective method of risk management, it is important that those negotiating deals understand that they are not operating in a purely commercial environment and that the prime purpose of a Council is to deliver statutory services to local residents. This is communicated through training provided by GAPTC.

Appendix A

If an organisation's credit rating is downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made.
- any existing investments that can be recalled or sold at no cost will be recalled.
- full consideration will be given to the recall or sale of all other existing investments.

<table>
<tr><td colspan="3">Table 1 Running Capital

Running capital (General Fund for precept receipts and day to day running of the Council) = Security (Credit rating and liquidity) Specified Investments:</td></tr>
<tr><td>Bank and Rating</td><td>Balance</td><td>Date</td></tr>
<tr><td>Lloyds Bank Business Bank Instant Account

Moodys rating A3/P2</td><td>£394026.20</td><td>(28.02.2024)</td></tr>
<tr><td colspan="3">Assessment:

The Council is currently maintaining a balance which exceeds the current FSCS guaranteed holdings of £85K with a High Street Institution.

Reason: This approach is to allow access to funds whilst CTC is currently undertaking renovation works under the Levelling Up Scheme and whilst the skatepark project is taking place.</td></tr>
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Public Works Loan Board (PWLB) Loan to Cinderford Town Council

PWLB Loan 1
To purchase the former HSBC building at 6 Market £200,000.
Organisation /Fund Government Loan Repayment over 7 years 3 months. The standard rate of interest has been set at 1.640% and will remain the rate over the loan period. The total due is £15,179.83 paid in June and December. The final instalment to be paid on 9 December 2024.

PWLB Loan 2
To fund the skatepark drainage, car park and footpath works at £125,000.
Organisation /Fund Government Loan Repayment over 6 years 0 months. The standard rate of interest has been set at 5.14% and will remain the rate over the loan period. The total due is £X paid in X and X. The final instalment to be paid on X. (loan being taken out in February 2024 details TBC).