

FINANCE COMMITTEE – 1 MARCH 2024

INVESTMENT STRATEGY 2024/2025

1. RECOMMENDATIONS

1.1 That the Investment Strategy 2024/25 as set out in **Appendix 1** be approved.

2. PURPOSE

2.1 The Strategy defines the Council's approach to making and holding investments, other than those made for normal treasury management. The Strategy is essentially the same as the Committee approved last year except for paragraph 5.6 which strengthens the Council commitment to sustainable practices.

3. INVESTMENT STRATEGY

3.1 The Council's Investments Strategy can be found at Appendix 1. The Strategy outlines the priorities for investment and the ways in which the Council will manage its financial portfolio.

4. FINANCIAL IMPLICATIONS

4.1 The report is regarding financial matters.

5. CLIMATE/CRIME & DISORDER IMPLICATIONS

5.1 Finance and investment can have climate-related impacts, depending on where funds are held and how they are used. As such, the Council should consider opportunities to ensure that its investments are not contributing to the negative climate and environmental impacts. In addition, opportunities for investments that provide positive benefits should also be considered, and this will be outlined in the Council's emerging sustainable procurement strategy.

6. EQUALITY & DIVERSITY IMPLICATIONS

6.1 None directly arising from this report.

7. CONCLUSION

7.1 The Council must ensure that it has a robust investment strategy in place to effectively manage its finances, optimize returns on investments, ensure long-term financial stability, fund important projects and services, and mitigate financial risks. An investment strategy helps the Council to make informed decisions, and adapt to changes in the financial landscape, ultimately benefiting the community it serves.

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FINANCE & INVESTMENT STRATEGY 2024/25

1. INTRODUCTION

- 1.1. The Finance and Investment Strategy is a high-level document giving an overview of how prudential financing, treasury management and investment is managed by the Council, with an overview of current activities and the implications for future financial sustainability.
- 1.2. The Strategy has been produced by following statutory guidance issued by the Secretary of State on Local Government Investments (3rd edition) under Section 15(1) of the Local Government Act 2003. It sets out the general principles to be adopted in the management of the Council's finances and investments.

2. OBJECTIVES

- 2.1. The overarching policy objective is the cautious and prudent management of Council investments and finances. The Council will achieve this by: -
 - (a) Ensure that reserve funds are secure;
 - (b) The liquidity of general investments;
 - (c) Generate a good yield from capital reserve investment;
 - (d) To generate sufficient income to support capital expenditure budget on a year-by-year basis;
 - (e) Ensure that all investment yields grow in line with inflation as a minimum, in order to maintain the capital value of the original investment amount.
- 2.2. The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.
- 2.3. Adequate liquidity is required to ensure that day-to-day activities can be funded and at the same time, to ensure that an appropriate return on cash deposits is achieved.

3. TREASURY MANAGEMENT

- 3.1. Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met through the Council's Capital Reserves to avoid excessive credit balances or overdrafts in the Council's current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent; but will become cash poor in the long-term as capital expenditure is incurred before being financed.
- 3.2. When developing financial plans/the annual precept and budget the Council will: -
 - a) Maintain a working bank account balance of approximately 3 months of net anticipated expenditure.

- b) Place any surplus monies within UK bank & building society accounts that are accessible immediately or within a specified period of notice to generate a suitable level of interest return.
- c) Maintain a general fund reserve not earmarked for specific purposes, to cushion the impact of unexpected emergencies or events of 3-6 months of gross revenue expenditure.
- d) Maintain Earmarked Reserves, for both capital and revenue expenditure, to meet known or predicted future liabilities, identified in the Council's budget planning.
- e) Only invest in institutions of high credit quality, based on information from credit rating agencies.

3.3. The Council will not borrow money. Any borrowing required to meet the Council's capital expenditure is to be met by using cash held in reserves rather than raising loans.

4. ASSET MANAGEMENT & ASSET DISPOSALS

- 4.1. **Asset Management** - the Council's Operations Manager, in consultation with the Clerk, has overall responsibility for the management of the council's property and regularly liaises with the Responsible Finance Officer (RFO) regarding budgeted spending and annually for capital bids.
- 4.2. **Asset Disposals** – when a capital asset is no longer needed, it may be sold so that the proceeds (capital receipts), can be spent on new assets.

5. INVESTMENT STRATEGY

5.1. Treasury investments arise from receiving cash before it is paid out again. Investments made for operations reasons or for pure financial gain are not generally considered to be part of treasury management. Money that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality UK banks, to minimise the risk of loss. Money that is likely to be spent in the longer term is also invested in the same way.

5.2. The table below shows the Council's current investments as a 23rd February

Current Account	£60,667
Premier Account	£93,338
Public Sector Account	£ 292,905

5.3. The Council will ensure that all investments are 'Specified Investments' meaning that:

- a) All investments will be made in sterling and any payments or repayments will also be made in sterling, with UK registered institutions;
- b) The council will invest in the long term. By investing securely in the CCLA property Fund, which will maximise return.
- c) All investments will be made with 'A' 'High Credit Quality' institution, as given by a Credit Rating Agency;

(f) All investments will be made in UK banks and building societies or other UK regulated institutions or funds;

(g) A Credit Rating Agency will be taken as meaning one of the following: -

- Standard and Poor's
- Moody's Investors Services Limited
- Fitch Rating Limited

5.4. Credit Ratings will be monitored and reported to the Finance Committee at yearly intervals, if the rating falls during this period, the Responsible Finance Officer, in consultation with the Chairman and Clerk of the Council, will decide on any appropriate action.

5.5. Investments will not be made with bodies, institutions or funds that support or exploit, either directly or indirectly the inappropriate welfare and treatment of people of animal/wildlife. The Council may from time to time produce a list of specific investments or investment sectors that it wishes to avoid. The Council will satisfy itself that funds are only invested in an ethical manner commensurate with the use of public monies.

5.6. Low carbon energy investments which help to reduce climate change will be considered. Any such investment will still be expected to make a positive return, though in making the investment the Council will consider the environmental and social benefits as well as the financial return.

5.7. The Council's approach to investment risk can be defined as 'lower-medium' risk. Advice will be sought from a suitably qualified and experienced persons or bodies with a proven track record prior to investment decision being made who must be regulated by the Finance Conduct Authority.

5.8. Decisions regarding the investment of Capital Reserves is to be made with a medium-term view of the market in mind of at least 5 years whilst complying with the statutory guidance issued regarding the length of any individual investment.

5.9. The Department of Communities and Local Government maintain that borrowing monies purely to invest or to lend in order to make a return is inappropriate for Town/Parish Council's, and the Parish Council will therefore not engage in such activity.

6. FINANCIAL GOVERNANCE

6.1. The RFO will review this strategy, in consultation with the Clerk, annually, for approval by the Council prior to the beginning of any new financial year. Should the RFO see necessary, any variations before that time will be referred to the Full Council for approval.

6.2. The Council currently employs a professionally qualified and experienced RFO responsible for making capital expenditure, borrowing and investment decisions. Where Council staff do not have the knowledge and skills required, use will be made of external advisers and consultants that are specialists in their field.

Date Adopted: 10 March 2022

Review Date: 1 March 2024