



# Ivybridge Town Council

## INVESTMENT STRATEGY

### Preamble

1. Ivybridge Town Council acknowledges the importance of investing any available funds held on behalf of the community in a prudent manner. The Council will aim to achieve first and foremost security and then liquidity whilst seeking the optimum return on its investments commensurate with proper levels of security and liquidity.

2. The investment of surplus funds by local authorities, (including town councils) is governed by the Local Government Act 2003; section 15(1) (a) as effective from 1 April 2018 and Guidance issued by the Department for Communities and Local Government from time to time on behalf of the Secretary of State under that Act. This strategy complies with the requirements of the Secretary of State under the Act.

3. Government has issued a 3<sup>rd</sup> edition of the Guidance to be effective from 1<sup>st</sup> April 2018 as a consequence of their enquiries into the financial crash of 2007-08 and also to reflect the changes in patterns of local authority behaviour. Some local authorities are investing in non-financial assets with the primary aim of generating profit. Others are entering into very long term investments or providing long term loans to local enterprises as an aid to regeneration.

4. The Guidance applies to town councils, providing their total investments exceed or are expected to exceed £100,000 at any time during the financial year. Where the council expects its total investments to be between £10,000 and £100,000 it is encouraged to adopt the principles of this Guidance. The Council is required to make a formal decision on the extent to which it would be reasonable to adopt the Guidance in part or in full.

5. The Guidance defines an **investment** as covering all of the financial assets of a local authority as well as other non-financial assets 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. It is considered that the Council currently has no such non-financial assets employed wholly or partly to generate profits.

6. Should the Council resolve to develop a project requiring finance through a Public Works Loan Board (PWLB) loan, it will adhere to all the conditions and stipulations necessary in order to qualify for the loan.

7. The Guidance recommends that a council produces an Annual Investment Strategy which sets out its policy for managing the investments and giving priority to their security and liquidity, but acknowledging that potential revenue should not be ignored. The Secretary of State recommends that strategy should be approved by the full council before the start of each financial year, but may be revised with the approval of the full council at any point during the financial year. The strategy is the responsibility of the full council, not the executive.

8. A 'Specified Investment' is one which is made in sterling, is not long term (less than 12 months), not defined as capital and is placed with a body which has a high credit rating with a recognised credit agency being one of Standard and Poor's, Moody's Investment Services Ltd, or Fitch Ratings Ltd, or made with the UK Government, a UK Local Authority or a parish or community council.

9. Any other type of investment is considered to be a 'Non Specified Investment' to which there can be a greater risk and where professional investment advice might be required.

10. Non-Financial Investments are non-financial assets that the council holds primarily or partially to generate a profit. It will normally have a physical asset that can be realised in order to recoup the capital invested.

11. Capacity, Skills and Culture – The Public Accounts Committee is aware that locally elected members may not always have the expertise to understand the risks associated with the decisions they are being asked to make. For this reason, the Guidance extends the requirements on capacity and skills to members and any statutory officers involved in or responsible for signing off on investment decisions. Members do not necessarily need formal training in understanding investment risks to satisfy the requirements of the Guidance. Depending on their level of expertise a presentation setting out the risks and opportunities of an investment may be sufficient to meet the new requirements.

12. The Council should keep its strategy simple and maintain financial prudence at all times.

## **Strategy**

The Council adopted the following Strategy at its meeting on 20<sup>th</sup> May 2024, agreeing to:-

1. In accordance with Section 15 (1) of the 2003 Act the Council will have regard to such guidance as the Department of Communities and Local Government (CLG) may issue on behalf of the Secretary of State
2. Carry out an annual cash flow forecast to ascertain expenditure commitments for the coming year.
3. On the basis of the cash flow forecasts, to invest only in:-
  - a) 'Specified Investment' or in
  - b) 'Non-Specified Investments' including longer term investments i.e. 12 months or more and non-financial investments which still offer the greatest security.
  - c) Bodies with high credit ratings with recognised credit agencies.
4. In accordance with the stipulations of the Guidance and the Department for Communities and Local Government, this Council will not borrow sums of money in order to finance loans or invest them in order to make a profit.
5. Steps will be taken in accordance with the Guidance to ensure that an appropriate knowledge of the risks and opportunities of an investment is made available to members.
6. Steps will be taken to inform members and other interested parties of relevant investment and loan information.
7. The Strategy will be reviewed annually. The Council reserves the right to make variations to the Strategy at any time, subject to the approval of the full Council.
8. The Council's investment strategy, including any revisions made, will be published on its website.

Version	Date	Comment
V1	May 2023	
V2	May 2024	Updated date of adoption to 2024