

# Chelford Parish Council

## Investment & Treasury Management Strategy

### 1. Introduction:

- 1.1 Chelford Parish Council (the Council) acknowledges the importance of prudently investing the surplus funds held on behalf of the community.
- 1.2 The Local Government Act 2003 states that a local authority may invest:
- For any purpose relevant to its functions under any enactment
  - For the purpose of prudent management of its financial affairs
- 1.3 This Strategy complies with the requirements set out in:
- The Department of Communities and Local Government Guidance on Local Government Investments
  - Section 15(1)(a) of the Local Government Act 2003
  - Guidance within Governance and Accountability for Local Councils Practitioner's Guide.
- 1.4 The Council defines its treasury management activities as the management of the Council's investments, cash flows, its banking and money market transactions, the effective control of the risks associated with those activities, and the pursuit of best value performance consistent with those risks

### 2. Policy:

- 2.1 This strategy establishes formal objectives, policies and practices and reporting arrangements for the effective management and control of the Council's treasury management activities and the associated risks.
- 2.2 The Council holds approximately £130,000 of funds as at March 2025 representing income received in advance of expenditure plus balances and reserves held. In the past 15 months the Council's fund balance has been in the region of £135,000. Over the coming year fund balances are expected to range between £100,000 to £150,000.

### 3. Investment Objectives:

- 3.1 In accordance with Section 15(1) of the Local Government Act 2003, the Council will have regard to
- such guidance as the Secretary of State may issue, and
  - such other guidance as the Secretary of State may by regulations specify.
- 3.2 Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the security (protecting the capital sum from loss) and liquidity (ensuring funds are easily available/available when required) of its investments before seeking the highest rate of return/yield.
- 3.3 The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The Council will therefore aim to

achieve the optimum return on its investments commensurate with appropriate levels of security and liquidity.

3.4 The Council's investment priorities therefore are, in order of importance:

- the security of its reserves
- the adequate liquidity of its investments
- the return (yield) on investments

3.5 All investments will be made in sterling.

3.6 The Department for Communities and Local Government maintains the borrowing of money purely to invest or to lend and make a return is unlawful and the Council will not engage in such activity.

3.7 Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Credit ratings may be obtained and monitored by employing the services of a treasury adviser, who as part of the services provided would advise the Council on appropriate credit criteria and will also notify changes in credit ratings as they occur. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

3.8 The Council may invest its surplus funds with any of the counterparty types below, subject to applicable cash limits (per counterparty) and time limits:

- Deposits with banks, building societies, local authorities or other public authorities.
- Other approved public sector investment funds.

3.9 The Council will monitor the risk of loss on investments by regularly reviewing credit ratings across the three main agencies. The Council will only invest with institutions deemed to be of 'high credit quality' based on rating agency information (see 4.2 below).

3.10 Credit ratings will be obtained and monitored by the Responsible Financial Officer. Where an entity has its credit rating 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
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty

3.11 The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other information, including credit default swaps, financial statements, information on potential government support, and reports in the financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet credit rating criteria

3.12 Investments will be spread over different providers where possible in line with agreed limits in order to reduce counterparty risk.

3.13 Where external investment managers are used, they will be contractually required to comply with this Strategy.

#### **4. Specified Investments:**

4.1. The CLG Guidance defines specified investments as those denominated in pound sterling due to be repaid within 12 months of arrangement not defined as capital expenditure by legislation, and invested with one of:

- the UK Government
- a UK local authority, parish council or community council, or
- a body or investment scheme of 'high credit quality'

4.2 The Council defines 'high credit quality' organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds 'high credit quality' is defined as having credit rating of A- or higher

4.3 Specified Investment are those offering high security and high liquidity, made in sterling and with a maturing of no more than a year. Such short term investments made with the UK Government or a local authority or town parish council will automatically be Specified Investments.

4.4 For the prudent management of its treasury balances, including maintaining sufficient levels of security and liquidity, the Council will place deposits with banks, building societies, local authorities and other public authorities/bodies.

4.5 The choice of institution and length of deposit will be at the discretion of the Council.

4.6 Chelford Parish Council's current investment is with Skipton Building Society. However, additional new investments will be spread across different counterparties with higher credit ratings in order to reduce counterparty risk.

4.7 Day-to-day banking will remain with NatWest Bank.

#### **5. Non-Specified Investments:**

5.1 Any investment not meeting the definition of a specified investment is classed as non-specified.

5.2 These investments have a greater potential risk, such as investment in stocks and shares and the Parish Council will not participate in such investments, which are considered not to offer the level of security and liquidity required.

#### **6. Liquidity of Investments:**

6.1 The Council uses cash flow forecasting to determine the maximum period for which funds may be prudently committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet financial commitments.

6.2 The Council will determine the maximum periods for which funds may prudently be committed so as not to unacceptably increase liquidity risk.

6.3 Investments will be regarded as commencing on the date the commitment to invest is entered into rather than the date on which the funds are paid over to the counterparty.

## **7. Long-Term Investments:**

7.1 Long-term investments are defined in the DCLG Investment Guidance as those due to be repaid in over 12 months from arrangement.

7.2 The Council does not currently hold any long-term investments, and none are envisaged as being taken out during the financial year 2025/26.

## **8. End of Year Investment Report:**

8.1 At the end of the financial year the Responsible Finance Officer will report on investment activity to the Council.

## **9. Review and Amendment of Regulations:**

9.1 The Investment Strategy will be reviewed annually by the Council.

9.2 The Annual Strategy for the coming financial year will be prepared by the Responsible Financial Officer and presented for approval at a Council Meeting

9.3 The Council reserves the right to make variations to the Investment Strategy at any time subject to formal approval by Council. Any variations will be made available to the public.

## **10. Treasury Management Advice:**

10.1 The Council should review it's level of investment on an annual basis and assess if there is a requirement to obtain independent, external, expert 'Treasury Management' advice in reviewing the Investment Strategy and the allocations of Specified Investments. Treasury Management advice may potentially be sourced from the principal local authority or a specialist treasury management advisory firms who specialises in local authority and local town and parish councils.

Updated: March 2025

Reviewed: May 2025

Next update/review: May 2026