



Brixham Town Council

Investment Strategy

Date of Adoption	
Reviewed	May 2012, July 2013, May 2014, May 2015, May 2019, July 2023
Next Review Date	July 2024
Written by	Tracy Hallett, Town Clerk

Introduction

- 1 The Investment of surplus funds by local authorities is governed by the Local Government Act 2003, section 15(1)(a) and Guidance issued by the Secretary of State under that Act.
- 2 The guidance applies to Brixham Town Council should total investments exceed or are expected to exceed £100,000 at any time during the financial year. Where the expectation is for total investments to be between £10,000 and £100,000 it is encouraged to adopt the principles in the Guidance.
- 3 The Guidance recommends that a Council produces an Annual Investment Strategy which sets out its policy for managing the investments and giving priority to two underlying objectives:
 - Security
protecting the capital sum invested from loss
 - Liquidity
ensuring the funds invested are available for expenditure when needed
- 4 The generation of yield is distinct from the above objectives. However, this does not mean that the Town Council is recommended to ignore potential revenues. 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.
- 5 Financial Investments can fall into one of three categories:
 - 'Specified Investment'
 - it is made in sterling, is not long term (less than 12 months) not defined as capital expenditure and is placed with a body which has a high credit rating or made with the UK Government, a UK Local Authority or a parish or community Council
 - Loan
These can be made 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 be seen as prudent if adopting a narrow definition of prioritising security and liquidity.
 - 'Non Specified Investment'
Any financial investment that is not a loan and does not meet the criteria to be treated as a special investment and which is considered to be a greater risk and where professional investment advice might be required.

Strategy Objectives

Brixham Town Council (the Council) has adopted the following Investment Strategy:

6. The Council acknowledges the importance of prudently investing its temporary surplus funds held on behalf of the Brixham community.
7. The Council's priorities will be centred on the security (protecting the capital sum invested from loss) and then liquidity (ensuring the funds invested are available for expenditure when needed) of its investments.

8. Comply with the Secretary of State's Guidance in relation to council investments in full (Department for Communities & Local Government "Guidance on Local Government Investments" 3rd Edition updated February 2018).
9. Carry out an annual cash flow forecast to ascertain expenditure commitments for the coming financial year.

Specified Investments

10. On the basis of that cash flow forecast, the Council will only invest in:
 - 'Specified Investments' or in
 - bodies with high credit ratings.
11. The type of investments used will be:
 - Deposits with banks, building societies, local authorities or other public authority
 - Other approved public sector investment funds

Loans

12. Loans are not currently included in the Investment Strategy as they are considered unacceptable due to their potential risk.
13. Should the Council 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, it should be noted that in considering loans, the Council must have regard to the Guidance and must be able to demonstrate that:
 - Total financial exposure to these types of loans are proportionate
 - They must use an allowed "expected credit loss" model for loans as set out in the "International Financial Reporting Standard (IFRS) 9 Financial Instruments" as adopted by proper practices to measure the credit risk of the loan portfolio
 - There are appropriate credit control arrangements to recover overdue repayments in place
 - The Town Council has formally agreed the total level of loans by type that it is willing to make and that the total loan book is within self-assessed limits

Non Specified Investments

14. Non-specified investments are not currently included in this Investment Strategy as these investments are considered unacceptable due to the higher potential risk

Borrowing in Advance of Need

15. The Council cannot borrow more than, or in advance of their needs, purely in order to profit from the investment of the extra sums borrowed.
16. In exceptional circumstances where the Council chooses to disregard the Prudential Code, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Guidance and borrows/has borrowed purely to profit from the investment of the extra sums the Council must explain:
 - a) Why the local authority has decided not to have regard to this Guidance or to the Prudential Code in this instance

- b) The local authority's policies in investing the money borrowed, including management of the risks, for example, of not achieving the desired profit or borrowing costs increasing.
17. The purpose of this disclosure is to allow external auditors, taxpayers and other interested parties to understand why the Council has chosen to disregard the Guidance, and to be able to hold CTC to account.

Use of Investment Managers

18. The Council does not employ, in-house or externally, any financial advisors but will rely on information which is publicly available
19. If external investment managers are used, they will be contractually required to comply with this strategy.

Governance and Risk

20. There will be due regard to the Financial Services Compensation Scheme and the Council will aim to spread 'specified investments' over a range of different providers in such a way as to limit exposure and minimise risk.
21. The Responsible Finance Officer (RFO) in consultation with the F&GP Committee will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.
22. The Council will only invest in institutions of "high credit quality" as set out in point 3 of this strategy.
23. The Council will monitor the yield on investments by having regard to the general financial, economic and political environment nationally.
24. The F&GP Committee has the authority to make and approve any short-term investments (maximum of twelve months), in accordance with the Annual Investment Strategy, based upon recommendations from the Responsible Finance Officer.
25. All resolutions relating to investments will be noted in the minutes.
26. All Councillors do not necessarily need formal training to understand investment or the potential risks to satisfy the Guidance. However, it may be appropriate for the RFO to prepare a report/presentation setting out the opportunities and risks in such terms that a Councillor can understand and therefore make an informed decision.

Review & Amendment

27. The Council's investment position will be reviewed regularly (as a minimum every six months) by the Responsible Financial Officer and reported to the F&GP Committee and for consideration.
28. This Investment Strategy will be reviewed annually
29. The Council reserves the right to make variations to the Strategy at any time, subject to the approval of the Full Council. Any variations will be minuted and made available to the public.