

SWALLOWFIELD PARISH COUNCIL



INVESTMENT STRATEGY

*Adopted at the
Parish Council Meeting held on
12th JULY 2022*

REVISION HISTORY

Issue	Adopted	Significant Amendments
1	12/07/2022	New version based on NALC model template

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1 INTRODUCTION

- 1.1 This policy is created under the guidance issued by the Secretary of State for Communities and Local Government (**DCLG**) (now the Secretary of State for Levelling Up, Housing and Communities) in accordance with the Local Government Act 2003. The extant guidance was issued by DCLG in 2010.
- 1.2 Swallowfield Parish Council acknowledges its responsibility to the community and the importance of prudently investing any reserves held by the Council.

2 POLICY

This strategy establishes formal objectives, policies and practices and reporting arrangements for the effective management and control of the Council's financial management activities and the associated risks and should be read in conjunction with the Council's Financial Regulations.

3 INVESTMENT OBJECTIVES

- 3.1 The Council's investment priorities are:
 - the security of its reserves,
 - the adequate liquidity of its investments,
 - the return on investment – the Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

4 INVESTMENT POLICY

- 4.1 All investments will be made in sterling.
- 4.2 The Department for Levelling Up, Housing and Communities (**DLUHC**) considers that 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.
- 4.3 The Council will monitor the risk of loss on investments by review of credit ratings either directly or through instructions given to its appointed investment manager on a regular basis. The Council will only invest in institutions of high credit quality – based on information from credit rating agencies.
- 4.4 Investments will be spread over different providers where appropriate to minimise risk.

5 SPECIFIED INVESTMENTS

- 5.1 Specified investments are those offering high security and high liquidity, made in sterling and with a maturity of no more than a year. Such short-term investments made with the UK Government or a local authority or town or parish council will automatically be Specified Investments.
- 5.2 For the prudent management of its treasury balances, maintaining sufficient levels of security and liquidity, Swallowfield Parish Council will use:
- Deposits with banks, building societies, local authorities or other public authorities
 - Other approved public sector investment funds satisfying the criteria for Specified Investments, specifically the CCLA Public Sector Deposit Fund only available to Local Authority investors.
- 5.3 The choice of institution and length of deposit will be at the approval of the full Council following a recommendation by the Finance Working Group.
- 5.4 The Council will aim to achieve the optimum return on its specified investments commensurate with the proper levels of security and liquidity.

6 LONG TERM INVESTMENTS IN FINANCIAL MARKETS

- 6.1 Long term investments are defined in the Guidance as any financial investments which are not loans and are greater than 12 months.
- 6.2 The Council acknowledges that investment in financial markets is not without risk and the value of its investments can go up or down. However, following the sale of land in 1994, the Council took the decision to invest a significant proportion of the capital realised from the sale in the financial markets. The aim is to generate regular income whilst preserving capital over the long term with a time horizon in excess of ten years. The Council will:
- engage an investment management company to manage its portfolio on a discretionary basis
 - instruct that the investments are widely diversified to reduce risk and volatility
 - instruct that the investments shall satisfy accepted ethical, social and environmental criteria
 - be paid available income on a regular basis to supplement in-year income from other sources
 - not withdraw capital from the portfolio unless it has been previously agreed by full Council as the only way to fund a significant capital project. The Finance Working Group will discuss the option with the investment manager and give appropriate notice
 - re-confirm annually with the investment manager the level of risk the Council is prepared to take which shall not exceed an upper medium level of risk

- review the performance of the portfolio annually with the investment manager
- review the appointment of investment manager at least every five years
- review the potential income for the coming year taking a prudent view and having regard to world events and adjust the budget accordingly
- receive quarterly reports on the portfolio from the investment manager.

7 PROPERTY

7.1 The Council owns a site on The Street, Swallowfield known as Fieldfare which was originally purchased to secure the future of the village shop and post office. It had become increasingly run down and had development potential. The Council redeveloped the site completing the development in 2018 with a view to providing further diversification of its income streams. The redevelopment was part funded by a fixed interest loan from the Public Works Loans Board over a 25-year term. The development, now known as Fieldfare and Fieldfare Court, comprises one house (Woodpeckers), three flats, two bungalows (Nuthatch and Chaffinch) and the Swallowfield Parish Stores and Post Office.

7.2 The shop is a local amenity which residents are keen to retain. It is leased out at a rent commensurate with ensuring its continued viability given its location, business potential and other factors.

7.3 The housing units are let on a commercial basis on assured shorthold tenancies at rents consistent with the local market and are managed by a letting agent on the Council's behalf. The rents include an element in respect of service charges to cover the provision of communal services. The letting agent manages the deposits on the Council's behalf. The income derived from these lets is allocated to:

- loan repayments
- letting agent fees (a fixed percentage of revenue plus a fixed one-off charge for each renewal or change of tenant)
- paying for the communal services
- general maintenance and repairs
- maintaining a reserve fund at 10% of annual income (after agent's fees) to maintain income to cover costs in the event of void periods
- building up a reserve fund at 10% of annual income (after agent's fees) for future major structural works.

The surplus is taken by the Council as income.

8 LIQUIDITY OF INVESTMENTS

The Council, following a recommendation from the Finance Working Group, will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.

9 INVESTMENT REPORTING

Regular monitoring of investments is reported to the Finance Working Group by the Clerk.

10 REVIEW AND AMENDMENT OF REGULATIONS

- 10.1 Each financial year Swallowfield Parish Council will review this strategy which should be approved by full Council before the start of the financial year. Any material change during the year would also require approval at full Council.
- 10.2 The Council reserves the right to make variations to its Investment Strategy at any time subject to the approval of full Council. Any variations will be made available to the public. This Investment Strategy will be published on the Parish Council's website www.swallowfieldpc.gov.uk