

Choppington Parish Council

Investment Policy

Investment Policy for Choppington Parish Council

Adopted 4 November 2015

Reviewed 27 January 2018

Reviewed 20 April 2021

Reviewed 13 April 2022

Reviewed 5 May 2023

Reviewed 8 May 2024

Reviewed 13 May 2025

1. Context

- 1.1 This document establishes policy, and reporting arrangements for the management and control of the Council's funds.
- 1.2 This policy informs how the Council develops its investment strategy. This document uses as guidance the Department for Communities and local Government 'Guidance on Local Government Investments' issued under section 15(1)(a) of the Local Government Act 2003 effective on or after 1 April 2018. It applies where a parish council expects its total investments exceed £100,000 in the financial year.
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/678866/Guidance_on_local_government_investments.pdf
- 1.3 The policy was approved by the Parish Council on 4 November 2015 and is reviewed and if necessary revised on a three-year basis.
- 1.4 The Council acknowledges the importance of openness and accountability for the prudent management of public funds.
- 1.5 The Parish Council will determine each year an investment strategy:
 - a) The type, purpose, and extent of any investment.
 - b) The levels of investment that can be made in each category (Specified, loans and non-specified Investments)
 - c) The overall sums available for investment
 - d) Maximum terms of investment and rate of return
 - e) How it benefits the core activities of the Council

2. Risk

- 2.1 The Council's risk procedures consider the current Guidance on Local Government Investments.
- 2.2 The Council's investment priorities are the security of reserves and liquidity of its investments with the generation of income only after security and liquidity has been assured.
- 2.3 The Parish Council will review risk on an annual basis.

3. External Management of Funds

Where external investment managers are employed, they will be contractually required to comply with the strategy.

4. Specified Investment

4.1 An investment is a specified investment if all the following apply:

- a) The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling.
- b) The investment is not a long-term investment (is an investment other than one which is due to be repaid within 12 months of the date on which the investment was made, or one which the authority may require to be repaid within that period).
- c) The making of the investment is not defined as capital expenditure by regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146 as amended].
- d) The investment is made with a body or in an investment scheme of high credit quality, or with one of the following public-sector bodies:
 - i. The United Kingdom Government
 - ii. A local authority in England and Wales
 - iii. A Parish Council or Community Council

4.2 For the purposes of this policy high credit quality is measured through credit rating, which is an evaluation of the credit worthiness of a debtor, especially a business (company) or a government, but not individual consumers. The evaluation is made by a credit rating agency of the debtor's ability to pay back the debt and the likelihood of default. Evaluations of individuals' credit worthiness are known as credit reporting and done by credit bureaus, or consumer credit reporting agencies, which issue credit scores.

4.3 Credit assessment and evaluation for companies and governments is generally done by a credit rating agency such as Standard &

Poor's, Moody's or Fitch. These rating agencies are paid by the entity that is seeking a credit rating for itself or for one of its debt issues.

5. Loans

5.1 The Parish Council may choose to make a loan to a local enterprise if it satisfies the Council's strategy for local economic growth, however it must demonstrate

- a) total financial exposure is proportionate
- b) An assessment of the impact on a balanced budget if the loan value is at risk
- c) Appropriate credit control measures are in place to recover overdue repayments
- d) The Council has agreed the loan level

6. Non-specified Investment

6.1 With regard to non-specified investments (i.e., those not meeting the definition for specified investments or loans) Parish Councils are recommended:

- a) To set out procedures for determining which categories of such investments may prudently be used. Choppington Parish Council will take full account of credit rating (see paragraphs 4.2 and 4.3 above).
- b) To Identify which categories of such investments are to be prudently used in the financial year.
- c) To state the upper limits for the amounts which, at any time during the financial year, may be held in each identified category and for the overall amount which may be held in non-specified investments (the limits being defined by reference to a sum of money or a percentage of the authority's overall investments or both). This will be determined as part of the budget process and confirmed by the Parish Council at its April meeting.

7. Borrowing

7.1 The Council recognises that there are other methods of raising resources for capital financing, other than borrowing including use of Council Reserves, revenue financing, Government and EC grants, Lottery funding, leases and capital contributions from other partners and stakeholders.

7.2 Wherever possible the Council will seek external funding towards capital programme projects.

- 7.3 Local Council borrowing is governed by Schedule 1 of the Local Government Act 2003. Borrowing may only be entered into for a purpose that would be capital expenditure as defined in S16 of the Local Government Act 2003 and the decision must be made by the full Council.
- 7.4 The requirement to borrow will be reviewed annually as part of the Investment Strategy and the budget process. The Council is only likely to borrow if it is felt the benefits of borrowing outweigh any risks and where the benefit of the investment matches the period of repayment.

8. Borrowing in advance of need

Borrowing to invest in a yield bearing opportunity is borrowing in advance of need. To borrow under these circumstances, the Council must include in the investment strategy the management of risk including the non-achievement of yield or borrowing costs increasing.

9. Reporting on investment performance

Reporting will be included in the Finance report given by the RFO to the Parish Council/Finance committee on a quarterly cycle.