

LOOE TOWN COUNCIL

K O N S E L T R E L O G H

Investment Strategy



V1 Adopted by Council:

31st March 2025

Next Review: September 2025

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ANNUAL INVESTMENT STRATEGY

1. INTRODUCTION

Looe Town Council acknowledges the importance of prudently investing the temporarily surplus funds held on behalf of the community. This Strategy complies with the guidance issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003 which came into effect on 1st April 2010.

2. INVESTMENT OBJECTIVES

In accordance with Section 15(1) of the 2003 Act, the Council will have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify.

The general policy objective for the Council is the prudent investment of its balances. The Council's investment priorities are:

- a) The security of reserves
- b) The liquidity of its investments.
- c) The yield obtained from any investment

The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. All investments will be made in sterling.

The Department for Communities and Local Government maintains that borrowing of monies purely to invest, or to lend and made a return, is unlawful and this Council will not engage in such activity. Where external investment managers are used, they will be contractually required to comply with the Strategy.

3. SPECIFIED INVESTMENTS

Specified Investment are those offering high security and high liquidity, made in sterling and maturing within a year. Such short term investments made with the UK Government, or a local authority or town parish council will automatically be Specified Investments.

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For the prudent management of its treasury balances, maintaining sufficient levels of security and liquidity, the Council will use:

- Deposits with banks, building societies, local authorities or other public authorities
- Treasury deposits with UK clearing banks
- Money market funds
- UK Government issued gilts
- Other approved public sector investment funds

The choice of institution and length of deposit will be recommended by the Finance and Strategy Committee and approved by Full Council.

4. NON-SPECIFIED INVESTMENTS

These investments have greater potential risk – examples include investment in the money market, stock and shares. Given the unpredictability and uncertainties surrounding such investments, the Council will not use this type of investment.

5. LIQUIDITY OF INVESTMENTS

The Responsible Finance Officer, in consultation with the Finance and Strategy Committee will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity. Investments will be regarded as commencing on the date the commitment to invest is entered onto, rather than the date on which the funds are paid over to the counterparty.

6. LONG TERM INVESTMENTS

Long term investments are defined in the Guidance as greater than 36 months. The Council does not currently hold any long term investments.

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7. INVESTMENT STRATEGY

The Town Council's funds are not likely to be protected by the Financial Services Compensation Scheme (FSCS) as the Council's annual turnover exceeds 500,000 euros (currently £420,000) where deposits of up to £85,000 per UK bank or building society are fully protected.

Therefore, the Council must mitigate the risk of losses.

The Council holds a deposit and current account with Lloyds Bank for day to day transactions. The Finance and Strategy Committee have agreed to hold an overall balance of £85,000.

Surplus funds are currently deposited with Looe Town Council's Unitary Authority Cornwall Council.

Full Council have approved the opening of a Public Sector Deposit Fund (PSDF) with the CCLA (Charities & Churches and Local Authorities) which is currently in progress. Once this account has been opened the Finance and Strategy Committee have agreed to split surplus funds between these two accounts 50/50.

The investment position will be reviewed by the Responsible Financial Officer and reported to the Finance and Strategy committee every 6 months.

The Council does not employ, in-house or externally, any financial advisors but will rely on information which is publicly available.

Investment movements will be carried out between approved organisations by the RFO in accordance with the delegated authority (as contained within the Financial Regulations)

8. APPROVED INSTITUTIONS

The Council will monitor the risk of loss on investments by reference to credit ratings.

Approved Institutions Credit Ratings

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The Town Council will only make investments with institutions who hold good credit rating scores as rated by the three international rating agencies (Moody's, Fitch and Standards & Poor. The Council will also have regard for the general and political environment in which institutions operate.

Moody's

AA Obligations rated AA are judged to be of high quality and are subject to very low credit risk

A Obligations rated A are judged to be upper-medium grade and are subject to low credit risk

Fitch

AA Very high credit quality - 'AA' ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A High credit quality - 'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

BBB Good credit quality - 'BBB' ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.

Standard & Poor's

AA An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitments on the obligation is very strong.

A An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated



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categories, However, the obligor's capacity to meet its financial commitments on the obligation is still strong.

BBB An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation

9. END OF YEAR INVESTMENT REPORT

Investment forecasts for the coming financial year were accounted for when budget was prepared. At the end of the financial year, the Finance Officer will report on investment activity to the Finance Committee.

10. REVIEW AND AMENDMENT OF REGULATIONS

The strategy will be reviewed annually. The Annual Strategy for the coming financial year will be prepared and presented for approval at a Finance and Strategy Committee Meeting. 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 made available to the public.

11. FREEDOM OF INFORMATION

In accordance with the Freedom of Information Act 2000, this Document will be posted on the Council's Website www.Looetowncouncil.gov.uk