



## **Baildon Town Council – Investment Strategy and Policy**

### **1. Introduction**

This Strategy has been produced with regard to Guidance issued by the Secretary of State for the Department for Communities and Local Government under Section 15(1) (a) of the Local Government Act 2003, and considering the 3<sup>rd</sup> edition of the Statutory Guidance, effective for financial years commencing on or after 1 April 2018. This guidance applies to all local authorities in England.

### **2. Investment Objectives**

The Council's investment priorities are the security of reserves and liquidity of its investments. 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 make 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.

The Council recognise that environmental and social factors are not fully recognised by financial markets, so seeks to take account of the preferences of residents in this regard when determining the Strategy.

### **3. Specified Investments**

Specified Investments are those offering high security and high liquidity, made in sterling and which mature in no more than a year.

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

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

### **4. Non-Specified Investments**

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

### **5. External Borrowing Strategy**

The Council acknowledges the importance of borrowing funds and the financial impact on the Council and the local community. The Council will agree borrowing for specific capital projects (as defined in section 16 of the 2003 Act), and gain approval for borrowing by sending an application to the National Association of Local Councils (NALC). All borrowings must be approved by full council.



The Council will ensure the following criteria when considering requesting a borrowing approval:

- The borrowing should only be used for the purpose of Capital expenditure as defined by Section 16 of the Local Government Act 2003.
- Any unallocated balances including, where appropriate capital receipts beyond those required for the prudent financial management of the council, should be used in the project for which the borrowing is required.
- The Council should have a realistic budget for the servicing and repayment of the debt, taking into account the future effect on the council's precept and cash flow.
- The Council must not mortgage or charge any of its property as security for money borrowed.

The Council will pursue the best possible terms when borrowing but will generally use the Public Works Loan Board (PWLB). The Council considers that the fixed term rates offered by the PWLB are relatively inexpensive and that PWLB loans are most likely to offer stability for the financial planning of the council.

The Council will determine the period of each loan which should not exceed the period for which the expenditure is forecast to provide benefit to the Council i.e., useful life of the asset.

## **6. Governance and Risk**

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.

The Responsible Finance Officer (RFO) in consultation with the Full Council will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.

The Council will monitor the yield on investments by having regard to the general financial, economic, and political environment nationally.

All resolutions relating to investments will be noted in the minutes.

## **7. Review and Amendment**

The Council's investment position will be reviewed regularly (as a minimum every six months) by the Responsible Financial Officer and reported to the Full Council for consideration.

This Investment Strategy will be reviewed bi-annually.

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.

**Policy adopted: 26/07/21**