

PADSTOW TOWN COUNCIL

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Investment Strategy

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. Investments below £10,000 are not subject to the Guidance but for investments between £10,000 and £100,000 the council is required to make a formal decision on the extent to which it would be reasonable to adopt the Guidance either in part or in full.
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 the liquidity and security.
4. A 'Specified Investment' is one which 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
5. Any other type of investment is considered 'Non-Specified Investment' to which there can be greater risk and where professional investment advice might be required.
6. Local authorities should always keep strategies simple and maintain prudence.

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

1. The Council acknowledges the importance of prudently investing its temporary surplus funds held on behalf of the community.
2. The Council's priorities will be centred on the security (protecting the capital sum from loss), then liquidity (keeping the money readily available for expenditure when needed) and then yield (the return made on the investment), in that order of importance.

3. Adopt the Secretary of State's Guidance in relation to council investments.
4. Carry out an annual budget to ascertain expenditure commitments for the coming financial year.
5. Based on that budget, to invest only in:

'Specified Investments' (which provide high security and high liquidity) and bodies with high credit ratings, based on information from approved rating agencies.

Investments will be spread between different UK clearing banks, where appropriate, to minimise the risk. The Council's current investments are deposit accounts with Lloyds Bank and Barclays Bank, the accounts are immediate access.
6. 'Non-Specified Investments' including longer term investment i.e. 12 months or more, examples include money market, stocks and shares. Given the unpredictability and uncertainty surrounding such investments the Council will not use this type of investment.
7. To review investments regularly.
8. The Council has a portfolio of investment properties that provide a rental income, this will continue if the capital appreciation and rental yield exceeds that which could be achieved elsewhere, at which point it will be reviewed. Professional advisors will undertake rent reviews on behalf of the Council. The underlying assets provide security for the capital investment.
9. If the level of reserves is anticipated to be more than £1 million pounds for a long period then independent, external, expert 'Treasury Management' advice will be sought to review the Investment Strategy and Specified Investments.
10. The Council will not borrow to invest as this is 'ultra vires' (beyond one's legal power).
11. The Council will not make loans to local enterprises etc. due to the prioritisation of security and liquidity.
12. The Council does not have any borrowings and capital expenditure is financed from revenue income after it has been received. A balanced revenue budget is achieved from car park income and rental income, any surplus is used to finance capital expenditure once it has been received.