Bleadon Parish Council

Investment Strategy – 2025/26

Parish Clerk & RFO

Bleadon Parish Council – Investment Strategy

Adopted by Council 12th May 2025 (Minute 388.12.3)

Introduction

Bleadon Parish Council acknowledges the importance of prudently investing the funds held on behalf of the community which it serves.

This strategy has been prepared in accordance with the Guidance on Local Government Investments ('the Guidance'), issued under section 15(1)(a) of the Local Government Act 2003, effective from 1st April 2018.

The Guidance states:

a) Where a town or parish Council expects its investments at any time during a financial year to exceed £100,000, the Guidance should apply in relation to that year.
b) Where a town or parish Council expects its investments at any time during a financial year to exceed £10,000 but not £100,000, it should decide on the extent, if any, to which it would be reasonable to have regard to the Guidance in relation to that year.
c) Where a town or parish Council expects its investments at any time during a financial year not to exceed £10,000, no part of the Guidance need be treated as applying in relation to that year.

Bleadon Parish Council's investments during the 2025/26 financial year are expected to exceed £100,000.

Guidance on Local Government Investments

Definitions

The following definition of terms apply:

- Investment covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit: for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations. For the avoidance of doubt, the definition of an investment also covers loans made by a local authority to one of its wholly owned companies or associates, to a joint venture, or to a third party. The term does not include pension funds or trust fund investments, which are subject to separate regulatory regimes and therefore are not covered by the guidance.

- A credit rating agency is one of the following three companies:
  i) Standard and Poor's
  ii) Moody's Investors Service Ltd; and

iii) Fitch Ratings Ltd

- A loan is a written or oral agreement where a local authority temporarily transfers cash to a third party, joint venture, subsidiary, or associate who promises to return it according to the terms of the agreement, normally with interest. This definition does not include a loan to another local authority, which is classified as a specified investment.

Investment Objectives

Investments made by the Council can be classified into one of two main categories:

- Investments held for treasury management purposes: and
- Other investments

In 2025/26 and for the foreseeable future, the Council's investments will only be held for treasury management purposes.

The Council's investment priorities are:

- the security of its reserves.
- the liquidity of its investments

The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity being maintained.

All investments will be made in sterling, and, as a minimum, surplus funds will be aggregated in interest-bearing accounts.

The Government maintains that borrowing of monies purely to invest, or to lend and make a return, is unlawful and Bleadon Parish Council will not engage in such activity.

Security of Investments

Financial investments can fall into one of three categories:

- Specified Investments.
- Loans; and
- Other non-specified investments

Specified Investments

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

- The investment is denominated in sterling and any payments or repayments in the respect of the investment are payable only in sterling.
- The investment is not a long-term investment. This means that the local authority has contractual right to repayment within 12 months, either because that is the expiry term of the investment or through a non-conditional option.
- The making of the investment is not defined as capital expenditure by virtue of Regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [as amended].

- The investment is made with a body or in an investment scheme described as high quality or with one of the following bodies:
  i) The United Kingdom Government.
  ii) A local authority in England or Wales (as defined in section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland; or
  iii) A parish Council or community Council.

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

- UK banks and UK building societies.
- Public Bodies (including the UK Government and local authorities).
- UK FCA regulated qualifying money market funds with a triple A rating.

<u>Loans</u>

The Council may choose to make loans to local enterprises, local charities, wholly owned companies, and joint ventures as part of a wider strategy for local economic growth. Such loans will conform with the strategy if:

- Total financial exposure to these types of loans is proportionate.
- The Council has used an allowed “expected credit loss” model for loans and receivables as set out in International Financial Reporting Standard (IFRS) 9 Financial Instruments as adopted by proper practices to measure the credit risk of their loan portfolio.
- The Council has appropriate credit control arrangements to recover overdue repayments in place; and
- The Council has formally agreed the total level of loans by type that it is willing to make and their total loan book is within their self-assessed limit.

No provision to make loans has been made for 2025/26. Any such decision would require the approval of full Council.

<u>Non-specified investments</u>

Non-specified investments are usually for longer periods (i.e., more than one year) and with bodies that are not highly credit rated. Accordingly, Bleadon Parish Council will not consider investing in non-specified investments.

<u>**Liquidity of Investments**</u>

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

Long Term Investments

Long term investments shall be defined as greater than one year. The Council will use the same criteria for assessing long term investment as identified above for specified investments.

The Council does not hold any long-term investments.

Risk Assessment

The Parish Council's reserves are covered by the Financial Services Compensation Scheme up to the deposit limits of the scheme and must therefore be managed carefully to mitigate the risk of losses.

The Council will only invest in institutions of "high credit quality".

Investments will be spread over different providers where appropriate to minimise risk.

The Council will monitor the risk of loss on investments by reference to credit ratings and the Council will aim for ratings equivalent to the Fitch rating A (low default risk). The Council will also have regard for the general economic and political environment in which institutions operate.

The investment position will be reviewed at least annually by the Responsible Financial Officer and reported to the Council.

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

The risk assessment for 2025/26 is shown in Appendix A. The risk assessment will be updated in the event of any material change to the current pattern of investment.

Use of Investment Managers

If external investment managers are used, they will be contractually required to comply with this strategy.

Investment Approval

All decisions regarding the approval of an investment provider rest with full Council and resolutions relating to investments will be noted in the minutes of meetings.

Any decision on loan activity may only be approved by the full Council and will be noted in the minutes of the meeting.

Investment Reports

The Responsible Financial Officer will include a report on investment activity to the Council on a quarterly basis.

Review and Amendment of Regulations

The Investment Strategy will be reviewed every 3 years.

Transparency

In accordance with the Freedom of Information Act 2000, this Document will be posted on the Parish Council website and a hard copy will be available from the Parish Clerk.

Annex A

Risk Assessment 2025/26

Bleadon Parish Council uses Unity Trust Bank Plc for its banking services and its investment funds are held within a deposit account within this bank.

Unity Trust Bank is used by many local Councils for banking services.

Unity Trust Bank primarily focuses on providing deposit and lending services and does not issue debt securities or borrow from other banks. This means it's not assessed by credit rating agencies in the traditional way.

The bank has a strong financial profile, including a high Common Equity Tier 1 (CET1) ratio (24.1% in 2024). A CET1 ratio above 6% is considered to be robust. It also has a very high Liquidity Coverage Ratio (LCR) of 228%. This indicates a healthy capital position and ability to meet its short-term obligations.

Unity Trust Bank has a low-risk appetite, particularly towards credit risk, evidenced by a whole book average LTV of 51% and a high percentage of lending within low-risk grades.

The bank is authorized and regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). This regulatory oversight helps ensure its financial soundness and stability.

Accounts at Unity Trust Bank are protected by the Financial Services Compensation Scheme (FSCS), providing depositors with compensation if the bank is unable to meet its financial obligations. The level of cover provided by the FSCS is £85,000 per institution. The aggregate value of the Council’s current and deposit accounts exceed the level of FSCS cover. However, the risk of failure of the bank is low and the UK Government has historically shown an unwillingness to allow the banking sector to fail - as evidenced by the Financial Crisis of 2007/8.