

Thame Town Council

Investment Policy

The Town Council acknowledges the importance of prudently investing surplus funds held on behalf of the community in order to benefit the community and local area. All investments will be made responsibly in line with the Council's aims, policies, financial procedures and observations, or advice received from the Council's internal and external auditors, supported as necessary by advice from the Council's financial advisors.

The Council will ensure it has adequate though not excessive cash resources, overdraft or standby facilities to enable it at all times to have the level of funds available which are necessary for the achievement of its service objectives.

Investment Strategies approved after 1 April 2018 must also be in line with the Government's "Statutory Guidance on Local Government Investments" which includes much detail on the provision of loans.

https://assets.publishing.service.gov.uk/media/5a74512440f0b646ce8d9b0e/Guidance_on_local_government_investments.pdf

Investment Objectives

1. The Council's investment priorities are the security of reserves and adequate liquidity of its investments.
2. The Council will aim to maximise income from its investments commensurate with proper levels of security and liquidity but, in balancing risk against return, the Council prioritises minimising risk over maximising return.
3. Where external investment managers are used, they will be contractually required to comply with this Policy.
4. The Council will endeavour to ensure its investment approach adds social value locally, acting where others do not or cannot. We will aim for the investments we make for the success of our place and community to also contribute to the local economy.

Specified Investments

5. A Specified Investment is a low-risk asset where the possibility of loss of the principal or investment income is negligible, such as short-term investments made with the UK Government or a local authority or town or parish council, and bank or building society deposits with a body that has been awarded a high credit rating by a credit rating agency.
6. Specified investments shall always be in Sterling currency.
7. The Responsible Finance Officer, using cash flow forecasts, will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity, cause the Council to borrow on unfavourable terms to meet financial commitments, or to withdraw investments under adverse market conditions.

8. For prudent management of its treasury balances, maintaining sufficient levels of security and liquidity, Thame Town Council will use:
 - Deposits with banks, building societies, local authorities, or other public authorities.
 - Other recognised funds specifically targeted at the Public Sector.
 - The choice of institution and length of deposit will be at the discretion of the Responsible Financial Officer, in consultation with the Chairman of the Community Governance Committee and the Town Clerk.

Non-Specified Investments

9. A non-specified investment is any financial investment that is not a loan and does not meet the criteria to be treated as a specified investment.
10. When entering into these types of investment local authorities are required to consider the balance between security, liquidity and yield based on their risk appetite and the contribution(s) of that investment activity.
11. These investments have greater potential risk, such as investments in the money market, stocks, and shares. The Council will use the services of an appointed FSA accredited financial advisor on the investment of these funds.
12. The choice of investment company will be reviewed within the four years of each administration following an election, or more frequently if the performance of the investments is not meeting the required objectives, or at the RFO's discretion.
13. The Council will expect the Investment Manager to invest in a balanced portfolio tailored to our specific risk profile, whilst having regard to the Council's objectives and criteria and security of its investments. Following any substantial withdrawal or deposit the Investment Manager will be expected to rebalance the portfolio, in line with the risk profile, as soon as practicable.
14. The Council will invest ethically. It will adhere to high environmental, social and governance (ESG) standards across all of its investments. [Appendix A](#) (last page of this policy) sets out positive and exclusionary criteria that will guide the Council's investments. **(a link to investment criteria guide will be placed here once policy is approved and circulated)**
15. The Council will maintain an open and constructive dialogue with its investment manager, suppliers, customers & regulatory authorities, and shall specify, and periodically review, the parameters (risk profile) for investments managed on its behalf.
16. At the end of each financial year the Investment Manager will present a report on the investment activity to the Community Governance Committee.
17. Under no circumstances will the Council make direct investment in individual Equities.

18. The Council may borrow for legitimate capital expenditure relating to local infrastructure and/or plant and equipment which enable the Council to carry out its responsibilities.
19. The Council will never borrow money in order to invest in financial markets, equities, commodities, cryptocurrencies or other risk-bearing financial instruments, nor will it invest in land or property outside the parish.

Loans

20. The Statutory Guidance on Local Government Investments (3rd Edition) allows local authorities to make loans to third parties, including charities and local enterprises, even though those loans may not all be seen as prudent if adopting a narrow definition of prioritizing security and liquidity.
21. The maximum that the Town Council will loan out at any one time is 25% of the total sum available for Capital Investment.
22. Before withdrawing capital from investments to facilitate a loan the Council will consider the state of the markets and the performance of the portfolio, in order to determine whether the timing is appropriate.
23. Loan exposure will be reported annually against the IFRS 9 Expected Credit Loss Model. <https://www.bdo.co.uk/en-gb/insights/business-edge/business-edge-2017/ifrs-9-explained-the-new-expected>
24. All loan repayments will be placed in a 'capital receipts' fund and then returned to the investment pot annually at the end of each financial year or sooner at the discretion of the Responsible Finance Officer
25. Money released for investments to forward fund projects against expected S106 contributions shall be returned to the investment portfolio as soon as such contributions have been received.

Review and Amendment of Regulations

26. This Policy will be reviewed annually by the Corporate Governance Committee. The Committee reserves the right to make variations to the Policy at any time, subject to the approval of the Full Council.
27. For the purposes of transparency and accountability, and in accordance with the Freedom of Information Act 2000, this Document will be posted on the Council's Website.

APPENDIX A – Environmental, Social and Governance (ESG) Investment Criteria

Positive Investment Criteria

The Council will favour investment in organisations or financial products such as:

- Local, sustainable economic development – enabling good local jobs.
- Improving social value locally and beyond
- Renewable energy
- Energy efficiency
- Pollution prevention
- Water sustainability
- Food sustainability and resilience
- High quality, affordable and sustainable housing
- Cyber Security
- Major disease treatment and healthcare
- Education
- Social enterprise and finance

Exclusionary Investment Criteria

The Council will not invest in organisations or financial products whose core activities include:

- High impact fossil fuel extraction and combustion
- Controversial weapons manufacture
- Tobacco
- Gambling
- Adult entertainment
- Direct predatory lending (pay day loans)

The Council will not invest in organisations or financial products that consistently fail to meet international standards relating to:

- UN Global Compact Compliance violation
- Human rights norms violation
- Labour norms violation
- Significant negative impact on land use, habitats, biodiversity and water scarcity
- Modern slavery
- Child labour
- Corporate Governance