Perranzabuloe Parish Council

Annual Investment Strategy

Adopted – 22 June 2026

1. **Introduction**
   1.1. PPC acknowledges the importance of prudently investing its temporary surplus funds held on behalf of the community as part of its fiscal duty.
   1.2. This Strategy complies with Assertion 1.12 of the Smaller Authorities Proper Practices Panel Guidance 2026-27. Arrangements need to be in place to ensure that the authority's funds are managed properly and that any amounts surplus to requirements are invested appropriately, in accordance with an approved strategy which needs to have regard to the Statutory Guidance on Local Government Investments (3rd Edition) ("the Guidance") issued under section 15(1)(a) of the Local Government Act 2003 and effective for financial years commencing on or after 1 April 2018.
   1.3. The definition of an 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.
   1.4. This guidance applies to parish councils, providing their total investments exceed or are expected to exceed £100,000 at any time during the financial year**.** Where a parish council expects its total investments to be between £10,000 and £100,000, it is encouraged to adopt the principles of the Guidance.
   1.5. The Local Government Act 2003 states that a local authority may invest:
      - for any purpose relevant to its functions under any enactment
      - for the purpose of prudent management of its financial affairs
   1.6. PPC defines its treasury management activities as
   "The management of PPC's cash flows, its banking and money market transactions, the effective control of the risks associated with those activities, and the best value performance consistent with those risks".
   1.7. This Strategy should be read in conjunction with PPC's Financial Regulations.

2. **Investment Objectives**
   2.1. **Security, Liquidity and Yield**
   A prudent investment strategy policy will have two underlying objectives:
   - **Security** – protecting the capital sum investment from loss; and
   - **Liquidity** – ensuring the funds invested are available for expenditure when needed.

   2.2. PPC's Investment Strategy is to achieve the optimum return on its investments commensurate with appropriate levels of security and liquidity, in accordance with recognised treasury management principles. Investments will be made only with counterparties meeting investment grade credit ratings as assessed by Fitch Ratings, Moody's Investors Service, and Standard & Poor's, in line with established policy criteria, including consideration of ratings, outlooks, and relevant guidance from recognised rating agencies.

2.3. Social, ethical (e.g. avoiding investments in fossil fuels, armaments, exploitative labour practices, or environmentally destructive activities; or proactively investing in local community projects or green initiatives), and environmental (ESG) factors, will form a core criterion in selecting investment and banking providers, provided they do not compromise the core principles of security and liquidity. PPC will express a preference for institutions or funds that align with their values (e.g. sustainability, community impact) as long as these options meet the required high credit quality, liquidity, return on investment, and low risk profiles,

2.4. PPC will seek to achieve a reasonable level of yield on its investments, consistent with the proper consideration of security and liquidity and in line with its statutory duties as a parish council. Maximising return will not be prioritised over the safeguarding of public funds, and investment decisions will be made with due regard to prevailing interest rates, market conditions, and PPC's cash flow requirement.

2.5. All investments will be made in sterling.

2.6. The Department for Communities and Local Government maintains the borrowing of money purely to invest or to lend and make a return is unlawful and PPC will not engage in such activity.

2.7. PPC (delegated to the Finance & Operations Committee) will monitor the risk of loss on investments by review of credit ratings on a regular basis.

2.8. PPC will only invest in institutions of high credit quality – based on information from credit rating agencies.

2.9. Investments will be spread over different providers, where appropriate, to minimise risk. Significant changes in credit ratings (where applicable) will be reported to the Finance & Operations Committee and the Clerk/RFO will take action within delegated powers to protect PPC assets.

2.10. Where external investment managers are used, they will be contractually required to comply with the Strategy.

3. **Strategy**

3.1. Following a risk assessment reported to Full Council in June 2026, it was recommended that a significant proportion of funds be retained in the Cornwall Council Call Account, rather than diversifying, reflecting two key considerations: security and liquidity. In terms of security, funds held with Cornwall Council are considered to carry a very low risk of default, and unlike bank deposits, are not covered by the Financial Services Compensation Scheme (FSCS), which does not apply to PPC as its budget is over the 500 euro threshold. Liquidity is also a key factor, as funds remain readily accessible to meet expenditure requirements when needed.

3.2. In addition to the Cornwall Call Account, it will retain investments with the following:

- Unity Trust (current account)
- Lloyds Treasurers Account (rent account)
- Lloyds Saver Account
- Nationwide 124 Day Saver Account
- Hampshire Trust Bank 2 Year Business Bond
- Redwood Bank 95 Day Notice Account

3.3. PPC will seek alternatives to the Lloyds Treasurer's (rent), current and saver accounts with the aim of identifying providers whose social, ethical and environmental policies are more closely aligned with PPC's values. Any recommendations shall take account of the need to maintain effective accounting functionality, financial controls and day-to-day operational practicality.

4. **Policy**
   4.1. This Strategy establishes formal objectives, policies and practices and reporting arrangements for the effective management and control of PPC's treasury management activities and the associated risks.
   4.2. **Specified Investments**
   Specified investments are those offering high security and high liquidity, made in sterling and with a maturity of no more than a year. PPC will only invest in institutions with high credit ratings from approved credit rating organisations. PPC, in its prudent management of its treasury balances may use:
   - Treasury Deposits with UK clearing banks
   - Local Authorities or other Public Authorities
   - Other approved public sector investment funds

   4.3. The choice of institution and length of deposit will be at the approval of the Finance & Operations Committee. PPC will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.
   4.4. **Non-Specified Investments**
   These investments have greater potential risk – examples include investment in property or stocks and shares.
   4.5. Given the unpredictability and uncertainties surrounding such investment, PPC will not use this type of investment at this time.
   4.6. This Strategy is publicly available on the PPC website.

5. **Liquidity of Investments**
   5.1. The Clerk/RFO in consultation with the Finance & Operations Committee will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.
   5.2. Investments will be regarded as commencing on the date the commitment to invest is entered into rather than the date on which the funds are paid over to the counterparty.

6. **Long-Term Investments**
   6.1. Long-term Investments are defined in the Guidance as greater than 36 months.
   6.2. PPC does not currently hold any funds in long-term investments, but should it do so, the Council's Financial Advisor (if any) will monitor this, the Clerk/RFO and the Finance & Operations Committee.

7. **Risk Assessment**
   7.1. This Strategy incorporates a formal risk assessment approach, whereby the risk of loss is considered both prior to entering into any investment and throughout the period the investment is held. This includes assessing the market in which investments are placed, barriers to entry and exit, and any ongoing funding or operational requirements associated with those investments. The Clerk/RFO regularly monitors and reviews investment risks to ensure continued compliance with the Strategy.
   7.2. PPC will use a range of performance and risk indicators to support the effective management of its investments and overall risk exposure. These will include assessment of total risk exposure across the portfolio, the sources and sustainability of investment funding, and the rate of return achieved relative to expectations and prevailing market conditions. PPC will apply the principle of proportionality, ensuring that its approach to monitoring and investment activity reflects the scale of its commercial income and overall exposure.
   7.3. Returns will be regularly benchmarked against appropriate market indicators and comparable local authority or parish council performance where available.

7.4. For non-financial investments (e.g. property assets), PPC will monitor key indicators such as vacancy levels (voids), exposure, rental performance, and ongoing maintenance or reinvestment requirements. A suitably qualified Property Manager will be engaged to actively manage the portfolio, with the aim of maintaining occupancy levels and ensuring the assets are operated as efficiently and productively as possible.

8. End of Year Investment Report

8.1. Investment and cashflow forecasts for the coming financial year were accounted for when the budget was prepared. PPC's investments – balances, interest received - will be reported quarterly in the Clerk's reports to Full Council. This also includes details of earmarked reserve balances.

9. Review and Amendment of Regulations

9.1. This Strategy will be reviewed annually and revised if considered necessary. PPC reserves the right to make variations to the Investment Strategy at any time subject to the approval of Full Council.