



Meeting	Full Council
Date	27 March 2024
Report Title	Revision to Investment Strategy
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1.0 PURPOSE OF REPORT

- 1.1. To request that councillors consider a recommendation from the Strategy & Resources Committee (S&R) that the Council adopts a revised investment strategy.

2.0 INTRODUCTION AND BACKGROUND INFORMATION

- 2.1 Full Council, at its meeting on 22 November 2023, approved delegated authority to the Chief Executive to enter into an agreement for the engagement of a professional specialist investment advice firm on a 3-year retainer contract to provide investment advice to the Council.
- 2.2 Arlingclose, have since been appointed and have given initial advice on the Council's Investment Strategy, which is contained within the Chippenham Town Council Treasury Management Strategy Statement 2024/25 [APPENDIX A].
- 2.3 Currently, the Council has between £2.5 and £5.0m invested in one bank (Lloyds) at any time, and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The Council also has an investment of c£200k in a CCLA Property Fund and has borrowings of c£400k with the Public Works Loan Board (PWLB). Successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
- 2.4 S&R, at its meeting on 28 February 2024, considered a revision to the Council's current investment strategy and recommends that Full Council approves it at this meeting.

3.0 INVESTMENT STRATEGY

- 3.1 The Chippenham Town Council Treasury Management Strategy Statement 2024/25 identifies the risks inherent in having a significant cash investment with only one bank and provides a framework for the Council to consider other treasury investment options, with time limits and investment limits for each counterparty.
- 3.2 Arlingclose recommends that as an immediate priority the Council invests in the UK Government's Debt Management Account Deposit Facility (DMADF), with the protection that investing with the UK Government provides, and in Money Market Funds (investment by a professional fund manager in perhaps 20 to 40 different banks) in order to minimise the impact of any one bank defaulting.

- 3.3 The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. This strategy complies with that requirement.
- 3.4 Arlingclose have also provided advice on Environmental, social and governance (ESG) considerations. However, the framework for evaluating ESG considerations is still developing and there are no universally agreed and accepted definitions or standardised measures or ways of assessing ESG. Also, it is extremely difficult to obtain information on banks' investing/lending. So, whilst Arlingclose's advice is that Councillors should be setting an ESG policy for officers to follow, distinguishing ESG from ethical considerations, any meaningful assessment of ESG risks is difficult at best and likely to be prohibitively expensive.

However, the Codes of Practice covering the banking sector include consideration of ESG issues, for example:

- The UN Principles for Responsible Banking - continuously increasing positive impacts while reducing the negative impacts on people and the environment resulting from the bank's activities, products and services;
- The UN Principles for Responsible Investment - incorporation of ESG issues;
- The Net Zero Asset Managers Alliance - are committed to setting an interim target for the proportion of assets to be managed in line with net zero by 2050 or sooner;
- The UK Stewardship Code 2020 - its 12 principles includes ESG issues and approaches;
- The EU Sustainable Finance Disclosures Regulation (SFDR) - sets out how financial market participants have to disclose sustainability information.

Therefore, Arlingclose advise that the section on ESG policy in the Council's revised Investment Strategy includes: "When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code".

- 3.5 Arlingclose, as the Council's Investment Advisers, provide advice on the investment opportunities, monitor the counterparties and advise the Council on changes to risk. Officers will work within the treasury investment framework approved by Council and make the necessary operational arrangements for the Council's investments directly with the counterparties.

4.0 CONTRIBUTION TO CORPORATE PLAN PRIORITIES

- 4.1 Corporate Priority - Maintain effective and efficient governance and management of resources.

5.0 STAFFING IMPLICATIONS

- 5.1 There are no staffing implications.

6.0 FINANCIAL IMPLICATIONS

- 6.1 The safeguarding of the Council's treasury investment balances, typically between £3.2 and £5.0 million.

7.0 LEGAL IMPLICATIONS

7.1 The Council's treasury activities are regulated by the CIPFA Code of Practice for Treasury Management in the Public Services and the DLUHC Investment Guidance.

8.0 CLIMATE AND ECOLOGICAL IMPLICATIONS

8.1 This report is administrative and does not have any known direct Climate and Ecological impact.

9.0 RECOMMENDATIONS

9.1 That councillors approve a revised Investment Strategy as recommended by the Strategy & Resources Committee.