



Financial Regulations Appendix 1.0: Investment Strategy

Introduction and Objectives:

Using the proceeds from the sale of the Government Bond in 2014, Fownhope Parish Council maintains an investment portfolio with the objective of generating regular income of at least 4.5% on average on the capital employed throughout the course of the year whilst preserving the level of that capital.

Parish Council funds that are not anticipated to be required in the short or medium term may be invested in a selection of bonds, preference stocks and ordinary shares (making use of Investment trusts if necessary). These funds are allocated as General Reserves within the Parish Council Reserves Portfolio. Guidance states that General Reserves should be maintained between 3 and 12 months of a council's annual precept.

Statutory guidance on local government investments (3rd edition) issued under section 15(1)(a) of the Local Government Act 2003 and effective for financial years commencing on or after 1 April 2018, applies to parish councils and charter trustees, providing their total investments exceed or are expected to exceed £100,000 at any time during the financial year. Where a parish council or charter trustee expects its total investments to be between £10,000 and £100,000, it is encouraged to adopt the principles in this guidance. This strategy aims to illustrate Fownhope Parish Council's compliance with these principles.

Investment Advisory Group (IAG)

The purpose of the IAG is to advise on the investment of funds. The IAG will report to Finance Working Group (FWG), and hence to full council, and will consist of:

- The Chairman or Vice Chairman pro tem of the Parish Council;
- The leader of the Finance Working Group of the Parish Council;
- Up to two other members, not necessarily Councillors, who have long time experience of the Stock Market;
- The Parish Clerk.

The composition of the group is to be agreed by the PC each year at the Annual Meeting of the Parish Council, along with all other sub-committees and working groups.

Working within the Investment Strategy approved by the PC, the IAG will make recommendations to the PC to buy or sell investments. However, once the initial

investments have been made, the role of the IAG will principally be to provide a monitoring and reporting service to the PC. A report will be submitted once a year to the Annual Parish Meeting in May.

The IAG is not a self-perpetuating body and may be abolished by the PC if it is no longer able to serve the purpose for which it was set up.

Procedures

Transactions will be carried out via an execution-only online stockbroker, Hargreaves Lansdown. Hargreaves Lansdown will act as the nominee. The Clerk will maintain the account and will execute the transactions online once approved by the PC and use his/her address as the accommodation address. Online passwords will be available to all members of the IAG and PC to enable up to date access to the online account. However, actual trading will be confined to the Clerk who alone will have access to a trading password. A copy of this password will be sealed and retained by the Chairman of the Council for use in an emergency. A paperless system will be used thus reducing charges to a minimum. A hard copy of contract notes will be kept by the Clerk and will be available for inspection by Councillors.

Dividend income will be transferred to the PC bank account each month. The Finance Working Group will monitor investment income on an annual basis.

The Finance Working Group will assess compliance with Financial Regulations 8.3 – 8.7 on an annual basis.

Investment Strategy

Preamble. The investment strategy to be followed is influenced by the guidance on Local Government Investments issued by the Department for Communities and Local Government issued under the Local Government Act 2003 Section 15(1). The PC has discretion over how comprehensively it adheres to the guidance since the size of its investments will be well under £500,000.

Risk. All investment carries risk. However, this strategy has been framed to reduce the risk as far as possible. This is made easier by accepting modest objectives and selecting investments within strict criteria.

Initiation. The strategy is required to be approved by the Parish Council at the beginning of the Financial Year and yearly thereafter. However, it may be changed at any time if circumstances dictate.

Publication. The Investment Strategy, once approved, will be published on the PC web site.

Principles. The main principles of investing as per the guidance are security and liquidity. Generally, non-specified investments (with a maturity of over one year) will be acquired. Where credit ratings are provided, investments will be limited to those with a Standard and Poor's rating of not less than AA. No single investment will exceed 40% of the total. A stop loss of 20% will be set when a security is purchased and will be automatically sold when the

limit is reached. In that event, the PC will be asked to ratify the transaction at the earliest opportunity.

However, stop losses may be breached for a variety of reasons and the IAG has discretion to delay automatic action to sell the stock. For example, the stop loss may be occasioned by market forces and not as a result of an adverse event affecting the specific stock concerned. Again, the net asset value supporting the stock price may be unaffected, a profit warning may be accompanied by robust changes including the sacking of senior management and so on. In each case where a sale does not automatically follow the breaching of a stop loss the IAG will report the facts to the next meeting of the PC and will then abide by its decision.

If, in the opinion of the IAG, a sell of an existing stock is warranted, even though the stop loss has not been reached, it will be executed and duly reported to the PC at its next meeting.

At the Parish Council meeting on 1st November 2023, Members granted delegated authority to the Clerk to act between meetings upon the advice of the Investment Advisory Group, together with the Finance Working Group, to buy and sell shares should a quick decision be necessary to protect public funds. Any such transaction will be reported to the Parish Council at the earliest opportunity.

With the exception of the above, no trades will take place without the approval of the PC. Only investments of low volatility will be purchased. As to liquidity, only investments which can be liquidated immediately will be considered. Investments will be chosen with ethical considerations in mind. For example, no investments will be recommended which fall under the categories of tobacco, alcoholic drinks, arms or gambling.

There is no intention to use borrowed funds (that is funds borrowed from outside sources to facilitate a future project).

Composition of the Group: 2024/2025

Tim Jones, Chairman of the Parish Council and Chair of Finance Working Group
Not currently registered with Hargreaves Lansdown

Mike Simmons, Councillor
Registered as a 'Member' with Hargreaves Lansdown

Peter Davis, Advisor
Registered as a 'Member' with Hargreaves Lansdown

Helen Tinson, Clerk
Registered as a 'Representative' with Hargreaves Lansdown

Investment Portfolio: 2024/2025

The investment portfolio at 01.04.2024 comprises the following:

Central Asia Metals:

A copper, zinc and lead production and exploration company, with operations in Kazakhstan and North Macedonia

Central Asia Metals plc, 1421 shares

HSBC Holdings plc:

A large banking and financial services institution.

HSBC Holdings plc, 828 shares

Regional REIT Ltd:

A commercial property portfolio wholly in the UK comprising, predominantly, offices and light industrial units located in the regional centres of the UK outside of the M25 motorway.

Regional REIT Ltd, 3130 shares

Skipton Building Society:

A UK based building society.

Skipton Building Society, 2000 shares

Phoenix Life:

Phoenix Life is part of Phoenix Group, the UK's largest long-term savings and retirement business.

Phoenix Life, 1026 shares

Next Energy Solar Fund:

Next Energy Solar Fund is a renewable energy investment company listed on the premium segment of the London Stock Exchange and is a constituent of the FTSE 250. A solar+ fund invests primarily in utility scale solar assets, alongside complementary ancillary technologies like energy storage.

NESF, 5753 shares

Value of Portfolio:

The value of the portfolio on 01.04.2024: £22,010.07

The closing value of the portfolio on 31.03.2025: £

Presented FPC 1st May 2024, Adopted XXX