

Appendix H.5

(Non-Treasury) Investment Strategy

1. Introduction

- 1.1. The Council invests its money for three broad purposes:
 - a) because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
 - b) to support local public services by lending to or buying shares in other organisations (**service investments**), and
 - c) to earn investment income (known as **commercial investments** where this is the main purpose).
- 1.2. This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.
- 1.3. The statutory guidance defines investments as “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.” The Council interprets this to exclude
 - a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word, and
 - b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Council’s definition of an investment with that in the 2021 edition of the CIPFA Prudential Code.

2. Treasury Management Investments

- 2.1. The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £170.8m and £228.1m during the 2025/26 financial year.
- 2.2. **Contribution:** The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.
- 2.3. **Further details:** Full details of the Council’s policies and its plan for 2025/26 for treasury management investments are covered in the treasury management strategy.

3. **Service Investments: Loans**

3.1. **Contribution:** The Council may lend money to its subsidiaries, its suppliers, local businesses, local charities, housing associations, local residents and its employees to support local public services and stimulate local economic growth. Northamptonshire County Council (NCC) entered into a joint service agreement with other councils and as part of that formed Local Government Shared Services (LGSS). NCC provided working loan of £950k to LGSS, now Pathfinder Legal Services Limited (PLSL). In April 2021, the loan was shared equally between the Council and West Northamptonshire Council when the two unitary authorities were formed. The Council further agreed to convert 50% (£237.5k) of its share of the debt to share equity, leaving a £237.5k in loan debt to the Council.

3.2. **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Council, upper limits on the outstanding loans to each category of borrower have been set as follows:

3.3. *Table 1: Loans for service purposes*

Category of borrower	31.3.2025 forecast			2025/26
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
	£'000	£'000	£'000	£'000
Subsidiaries		0	0	2,000
Local businesses	0	0	0	1,000
Local charities	0	0	0	250
Employees	0	0	0	200
Other	178	0	178	250
TOTAL	178	0	178	

3.4. Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts are shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

3.5. **Risk assessment:** The Council will assess the risk of loss before entering into any new service loans and will seek advice from external advisors where appropriate. Since April 2021 no new service loans have been agreed.

4. **Service Investments: Shares**

4.1. **Contribution:** The Council does not have any material service investments in shares.

4.2. **Security:** One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Table 2: Shares held for service purposes

Category of company	31.3.2025 forecast			2025/26
	Amounts invested	Gains or losses	Value in accounts	Approved Limit
	£'000	£'000	£'000	£'000
Subsidiaries	0	0	0	2,000

4.3. **Risk assessment:** The Council has no current plans to make further investment in shares.

4.4. **Liquidity:** The Council has no current plans to make further investment in shares.

5. Non-specified Investments

5.1. Shares are the only investment type that the Council has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Council's upper limits on non-specified investments. The Council has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

6. Commercial Investments: Property

6.1. **Contribution:** The Council invests in UK commercial property with the intention of making a profit that will be spent on local public services. The Council has no current plans to make further investment in commercial property.

Table 3: Property held for investment purposes

Property	Actual	31.3.2024 actual		31.3.2025 expected	
	Purchase cost	Gains or (losses)	Value in accounts	Gains or (losses)	Value in accounts
	£'000	£'000	£'000	£'000	£'000
Denby	14,000	88	14,088	-	14,088
Wakefield	5,200	4,449	9,649	-	9,649
TOTAL	19,200	4,537	23,737	-	23,737

Security: In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

6.2. A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment.

6.3. **Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding property investments.

6.4. Prior to going ahead with the purchase of a long-term investment, a valuation report is commissioned from expert external advisers. This comprehensive report reviews the micro/macro-economic environment and how the investment will meet the Council needs now and in the future. Where the investment has an existing occupier, the review will undertake a credit check/rating.

6.5. The value of these investments is reviewed annually. This valuation is used to adjust the accounting value of the investment as part of the end of year closure of accounts

process. The valuation is also used to review the performance and ongoing viability of the investment in the medium to long term and whether the Council should consider exiting the investment.

- 6.6. **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Council will undertake an annual review of these investments with a view to determining their ongoing strategic value within the Council's overall investment portfolio. Where a commercial property is deemed no longer of strategic value within the investment portfolio the process of disposal will commence early to ensure an efficient disposal.

7. **Investment Management Practices**

- 7.1. **Elected members and statutory officers:** Officers involved in investment management are experienced in managing local authority investment management functions with relevant qualification at all levels of staff structure. Treasury officers also attend training events and seminars organised by external parties including the Council's treasury management advisors.
- 7.2. Where further training or experience is required for activities that are beyond the current range of investment management activities, officers will be required to attend such training. The Council's treasury advisor is expected to support investment decisions in such situations.
- 7.3. **Commercial deals:** The Council does not plan to invest further in commercial property. If this changes in future, the Council will ensure that the officers involved in negotiations are fully appraised of the requirement of the core principles of the prudential framework and the regulatory regime within which local authorities are required to operate.
- 7.4. **Corporate governance:** The following activities are undertaken to monitor the Council's investment activities:
- Full Council, following review by the Executive Committee, approves an annual Treasury Management Strategy Statement, Minimum Revenue Provision Policy and Investment Strategy;
 - regular meetings between treasury officers and senior finance management team to review treasury and investment activities;
 - budget monitoring reports that update senior management and the Executive Committee on progress towards delivering treasury and investment budget objectives;
 - quarterly reports to the Executive Committee reviewing all treasury and investment activities including reporting against all treasury and investment prudential indicators set out in the approved annual Treasury Management Strategy Statement and the Non-Treasury Investment Strategy.

8. **Investment Indicators**

- 8.1. The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.
- 8.2. **Total risk exposure:** The first indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down and guarantees the Council has issued over third-party loans.

Table 4: Total investment exposure

Total investment exposure (£'000)	31.03.2024 Actual	31.03.2025 Forecast	31.03.2026 Budget
Treasury management investments	210,636	170,830	171,506
Service investments: Loans	238	178	59
Service investments: Shares	-	-	-
Commercial investments: Property	23,737	23,737	23,737
TOTAL INVESTMENTS EXPOSURE	234,611	194,745	195,303

- 8.3. **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the assets listed in table 3 of this report could be described as investments being funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.
- 8.4. **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 5: Investment rate of return (net of all costs)

Investments net rate of return	2023/24 Actual	2024/25 Forecast	2025/26 Budget
Treasury management investments	5.49%	4.90%	4.50%
Service investments: Loans	0.00%	0.00%	0.00%
Service investments: Shares	0.00%	0.00%	0.00%
Commercial investments: Property	3.99%	4.69%	4.69%
ALL INVESTMENTS	5.33%	4.87%	4.52%