



INVESTMENT STRATEGY

WRITTEN BY:

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CREATED:

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APPROVAL DATE:

Finance Strategy & Management Committee – 27 April 2021

Town Council – 4 May 2021

REVIEW DATE:

April 2022

INTRODUCTION

1.1 The Council acknowledges the importance of prudently investing the temporarily surplus funds held on behalf of the community.

1.2 The purpose of this Strategy is to set out the Town Councils objectives and priorities in relation to the effective management of its reserves.

1.3 This Strategy should be read in conjunction with the Council's Financial Regulations and Reserves Policy.

1.4 This policy has been developed in accordance with:

1. 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.
2. The Treasury Management Code issued by CIPFA – "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, 2017 Edition."

INVESTMENT OBJECTIVES

2.1 The Council's investment priorities are as follows, in order of priority:

- **Security** – Biddulph Town Council’s primary concern is that we will get our funds back. We must be confident that the institution is sufficiently sound to enable them to return the full principal amount of our investment on maturity. It is not possible to predict the future; the Town Council acknowledge that there is always an element of risk. In an attempt to mitigate that, the Town Council will have a portfolio of investments which is spread between various quality institutions. We will not invest more in each institution than the Financial Services Compensation Scheme (FCSC) deposit guarantee amount, to give additional security.
- **Liquidity** – Money must be available to us when we need it. Biddulph Town Council will ensure that our 3, 6, 12 month investments mature before our outgoing cash flow needs.
- **Yield** – Biddulph Town Council will then consider the best interest rate; we will never choose an investment for a good return if security and liquidity are unsatisfactory.

The Council will seek to ensure that investment income is consistent one year to the next.

PROVISIONS OF THE STRATEGY

3.1 The Council will only maintain reserves for the following reasons:

- A sum approximately equal to 50% to 100% of its Net Revenue Expenditure (6 to 12 month budget) will be maintained as the General (non-committed) Reserve, in accordance with good practice and as advised by the auditor.
- A capital reserve will be built up to meet any needs identified in its Medium Term Financial Forecasts or for unexpected expenditure or emergencies.
- Other reserves which are committed for specific purposes or future development, or to meet commitments, will be maintained as necessary.

3.2 The Council will invest its reserves and other monies not immediately required so as to maximise return and accessibility, and to minimise risk. The Council will only invest in institutions with good credit ratings from approved credit rating organisations. The Responsible Financial Officer is authorised to spread investments as available and following a risk assessment. Investments will be spread over different providers where appropriate to minimise risk. Significant changes in credit ratings will be immediately reported to the Finance Committee.

3.3 Specified investments are those offering high security and high liquidity, made in sterling and with maturity of no more than a year. Such short term investments made with the UK Government or a Local Authority (as defined) or a Town/Parish Council will automatically be specified investments. For the prudent management of its treasury balances, the Council may use:

- Deposits with banks, building societies, local authorities or public authorities
- Treasury deposits with UK clearing banks
- Money market funds
- UK Government issued gilts
- Other approved public sector investment funds

The choice of institution and length of deposit will be at the approval of the Finance Strategy and Management Committee.

3.4 Non Specified Investments are investments that have greater potential risk and are usually for longer periods and with bodies that are not as highly credit rated. Examples include investment in money markets, stocks and shares. Given the unpredictability and uncertainty surrounding such investments the Council will not use this type of investment.

3.5 The Council will periodically review its banking arrangements by a competitive process which balances returns, high street presence, accessibility of funds, service level, bank charges and ethical credentials.

3.6 The Department for Communities and Local Government maintains that borrowing of monies purely to invest or to lend and make a return, is unlawful and this Council will not engage in such activity.