

# MUCH WENLOCK TOWN COUNCIL

## INVESTMENT STRATEGY

2023-2024

### 1.0 Introduction

- 1.1 Much Wenlock Town Council acknowledges the importance of prudently investing funds held on behalf of the community. All investments will adhere to the Council's financial procedures and advice received from the Council's internal and external auditors.
- 1.2 This strategy has been prepared in accordance with the Guidance on Local Government Investments ("the Guidance"), issued under section 15(1)(a) of the Local Government Act 2003, and guidance within Governance and Accountability for Local Councils, A Practitioners Guide.
- 1.3 The Guidance states:
- a) Where a town or parish council expects its investments at any time during a financial year to exceed £100,000, ("the Guidance") should apply in relation to that year.
  - b) Where a town or parish council expects its investments at any time during a financial year to exceed £10,000 but not £100,000, it should decide on the extent, if any, to which it would be reasonable to have regard to ("the Guidance") in relation to that year.
  - c) Where a town or parish council expects its investments at any time during a financial year not to exceed £10,000, no part of ("the Guidance") need be treated as applying in relation to that year.
- 1.4 Much Wenlock Town Council expects its investments during the 2023-24 financial year to exceed £100,000 and therefore has agreed to apply ("the Guidance") as set out below.

### 2.0 Definitions

2.1 The following definitions of terms apply:

- 2.1.1. **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. This may therefore include investments that are not managed as part of normal funding management processes or under funding management delegations.

2.1.2 A **credit rating agency** is one of the following three companies:

- Standard and Poor's
- Moody's Investors Service Ltd; and
- Fitch Ratings Ltd

2.1.3 A **loan** is a written or oral agreement where a local authority temporarily transfers cash to a third party, joint venture, subsidiary, or associate who promises to return it according to, normally with interest. This definition does not include a loan to another local authority, which is classified as a specified investment.

### **3.0 Investment Objectives**

3.1 Investments made by the council can be classified into one of two main categories:

- Investments held for asset management purposes: and
- Other investments

3.2 In 2023-24 the council's investments will only be held for funding management purposes.

3.3 The council's investment priorities are:

- The security of its reserves
- The liquidity of its investments

3.4 The council will aim to achieve an optimum return on its investments commensurate with proper levels of security and liquidity being maintained.

3.5 All investments will be made in sterling and, as a minimum, surplus funds will be aggregated in an interest-bearing account.

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

3.7 In balancing risk against return, this Council is more concerned to avoid risks than to maximise returns.

3.8 The Council will ensure that it has adequate, though not excessive, cash resources to enable it to have the level of funds available which are necessary for the achievement of its key objectives.

### **4.0 Security of Investments**

4.1 For the prudent management of its treasury balances, maintaining sufficient levels of security and liquidity, the Council will use:

- UK banks or UK building societies, local authorities, or other public authorities
- Other recognized funds specifically targeted at the public sector, such as the Public Sector Deposit Fund
- UK FCA regulated qualifying money market funds with a triple A rating.

## **5.0 Risk Assessment**

- 5.1 The Council's reserves, with the exception of the Public Sector Deposit Fund, are covered by the Financial Services Compensation Scheme up to £85,000, which is the deposit limit of the scheme. (See paragraph 8.5 below)
- 5.2 The Council will only invest in institutions of "high credit quality". Investments will be spread over different providers where appropriate to minimise risk.
- 5.3 The Council will monitor the risk of loss on investments by reference to credit ratings. The Council should aim for ratings equivalent to the Fitch rating A (low default risk). The Council will also have regard for the general economic and political environment in which institutions operate.
- 5.4 The investment position will be reviewed monthly by the Responsible Financial Officer and reported to the Finance and Asset Management Committee at meetings as part of the regular financial report.
- 5.5 The Council does not employ any financial advisors, either in-house or externally, but will rely on information which is publicly available.
- 5.6 The Council will prepare an annual Financial Risk Assessment, to assess internal financial controls, identify risks and evaluate performance against guidelines where appropriate. The Financial Risk Assessment will be published annually.

## **6.0 Review and Amendment of Regulations**

- 6.1 The Investment Strategy will be reviewed every three years. The Investment Strategy will be reviewed by the Responsible Financial Officer and the Finance and Asset Management Committee, which will then make a recommendation to Full Council.

## **7.0 Transparency**

- 7.1 This strategy will be posted on the Town Council's website and a hard copy will be available from the Town Council.

## **8.0 Account Management Arrangements**

- 8.1 The Responsible Financial Officer will report bank account balances to the Finance and Asset Management Committee during each meeting.
- 8.2 Balances may vary due to activity within each account throughout the year.
- 8.3 The Responsible Financial Officer will continually monitor account balances and make recommendations to the Finance and Asset Management Committee based on planned expenditure, aimed at ensuring there is sufficient working capital to meet ongoing commitments and to spread financial risk across financial institutions where possible.

8.4 The Responsible Financial Office will monitor the interest rates of the Council's investment to obtain maximum returns. Bank accounts will be maintained to provide effective management of funds and to allow effective day-to-day operations of the Council.

#### **8.5 Financial Services Compensation Scheme**

The first £85,000 of investment in each financial institution will be compensated in the event that a bank or building society fails. Where multiple accounts are held with a bank that are part of the same banking group that they are treated as one bank.

The CCLA Public Sector Deposit Fund is not covered by the FSCS but the fund was assessed by Fitch in 2023 and provided with a AAmmf rating. CCLA provides an actively managed portfolio and its investments are spread across a diverse range of UK funds, helping to mitigate any exposure to potential failures.

#### **8.6 Risk of Failure**

The risk of failure of any of the financial institutions used by the Town Council is low. The UK Government is unlikely to allow a major high street provider to fail as evidenced by the Financial Crisis of 2007-8.