

Bromyard & Winslow Town Council – Investment Strategy and Policy

1. Introduction

- 1.1 Bromyard & Winslow Town Council (the Council) acknowledges the importance of prudently investing the surplus funds held on behalf of the community.
- 1.2 The Local Government Act 2003 states that a local authority may invest:
- For any purpose relevant to its functions under any enactment
 - For the purpose of prudent management of its financial affairs
- 1.3 This Strategy complies with the requirements set out in:
- Department for Levelling Up, Housing and Communities *Guidance on Local Government Investments*
 - Section 15 (1) (a) of the Local Government Act 2003
 - Guidance within Governance and Accountability for Local Councils *Practitioner's Guide*
- 1.4 The Council defines its treasury management activities as the management of the Council's investments, cash flows, its banking and money market transactions, the effective control of the risks associated with those activities, and the pursuit of best value performance consistent with those risks

2. Policy

- 2.1 This strategy establishes formal objectives, policies and practices and reporting arrangements for the effective management and control of the Council's investment and treasury management activities and the associated risks and should be read in conjunction with the Council's Financial Regulations.

3. Investment Objectives

- 3.1 In accordance with Section 15 (1) of the Local Government Act 2003, the Council will have regard to:
- such guidance as the Secretary of State may issue, and
 - such other guidance as the Secretary of State may by regulations specify
- 3.2 Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the security (protecting the capital sum from loss) and liquidity (ensuring funds are easily available/available when required) of its investments before seeking the highest rate of return/yield
- 3.3 The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from

defaults and the risk of receiving unsuitably low investment income. The Council will therefore aim to achieve the optimum return on its investments commensurate with appropriate levels of security and liquidity.

3.4 The Council's investment priorities therefore are, in order of importance:

- the **security** of its reserves
- the adequate **liquidity** of its investments
- the return (**yield**) on investments

3.5 All investments will be made in sterling.

3.6 The Department for Levelling Up, Housing and Communities maintains the borrowing of money purely to invest or to lend and make a return is unlawful and the Council will not engage in such activity.

3.7 Where external investment managers are used, they will be contractually required to comply with the Strategy.

3.8 Investments in pooled funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds offering same-day liquidity and very low or no volatility provide an alternative to instant access bank accounts.

3.9 Local councils with an annual budget of less than 500,000 euros are covered by the Financial Services Compensation Scheme (FSCS). The limit of cover is £85,000. The Council will check directly with the FSCS to make sure that a particular course of action is covered, and this will be a material consideration in the decision-making process.

3.10 The Council will endeavour to spread its investments over different providers in line with agreed limits in order to reduce counterparty risk.

3.11 The Council will monitor the risk of loss on investments by review of credit ratings on a regular basis.
The Council will only invest in institutions of high credit quality (e.g. Triple A Rated), based on information from approved agencies

4. Specified Investments

4.1 Specified Investments are those offering high security and high liquidity, made in sterling and which mature in no more than a year. Such short-term investments made with the UK Government or a local authority or town or parish council will automatically be Specified Investments.

4.2 For the prudent management of its treasury balances, maintaining sufficient levels of security and liquidity, Bromyard & Winslow Town Council will use:

- Deposits with banks, building societies, local authorities, or other public authorities.
- Other approved public sector investment funds.

4.3 The choice of institution and length of deposit will be at the discretion of the Finance Committee in consultation with the Responsible Financial Officer. Current investment is with Lloyds Bank with one current account and one interest bearing account at a variable rate.

5. Non-Specified Investments

5.1 These investments have a greater potential risk, such as investment in stocks and shares and the Council will not participate in such investments, which are considered not to offer the level of security and liquidity required.

6. External Borrowing Strategy

6.1 The Council acknowledges the importance of borrowing funds and the financial impact on the Council and the local community. The Council will agree borrowing for specific capital projects (as defined in section 16 of the 2003 Act), and gain approval for borrowing by sending an application to the National Association of Local Councils (NALC). All borrowings must be approved by full council.

6.2 The Council will ensure the following criteria when considering requesting a borrowing approval:

- The borrowing should only be used for the purpose of Capital expenditure as defined by Section 16 of the Local Government Act 2003.
- Any unallocated balances including, where appropriate capital receipts beyond those required for the prudent financial management of the council, should be used in the project for which the borrowing is required.
- The Council should have a realistic budget for the servicing and repayment of the debt, taking into account the future effect on the council's precept and cash flow.
- The Council must not mortgage or charge any of its property as security for money borrowed.

6.3 The Council will pursue the best possible terms when borrowing but will generally use the Public Works Loan Board (PWLB). The Council considers that the fixed term rates offered by the PWLB are relatively inexpensive and that PWLB loans are most likely to offer stability for the financial planning of the council.

- 6.4 The Council will determine the period of each loan which should not exceed the period for which the expenditure is forecast to provide benefit to the Council i.e., useful life of the asset.

7. Liquidity of Investments

- 7.1 The Council will use cash flow forecasting to determine the maximum period for which funds may be prudently committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet financial commitments.
- 7.2 The Strategy & Resources Committee will determine the maximum periods for which funds may prudently be committed so as not to unacceptably increase liquidity risk.
- 7.3 Investments will be regarded as commencing on the date the commitment to invest is entered into rather than the date on which the funds are paid over to the investor.

8. Long-term Investments

- 8.1 Long-term investments are defined in the DLHC Investment Guidance as those due to be repaid in over 12 months from arrangement.
- 8.2 The Council does not currently hold any long-term treasury investments, and none are envisaged as being taken out during the financial year 2022/23.

9. Review and Amendment of Regulations

- 9.1 The Investment Strategy will be reviewed annually by the Finance Committee with any material changes referred to Full Council for approval. Any variations will be made available to the public.

Policy adopted by Full Council: 24/10/2022