



## Chard Town Council

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### INVESTMENT STRATEGY

#### 1. Introduction

- 1.1 Chard Town Council (the 'Council') acknowledges the importance of prudent investment of surplus funds on behalf of the community through adherence to Statutory Guidance on Local Government Investments (3<sup>rd</sup> Edition) issued under section 15(1)(a) of the Local Government Act 2003, effective from 1 April 2018.
- 1.2 This strategy should be read in conjunction with the Council's Financial Regulations and Internal Financial Controls.
- 1.3 This strategy sets out the requirement to achieve the prudent management of treasury balances through the financial year.

#### 2. Investment Objectives

- 2.1 Under Section 12 of the 2003 Act, a local authority has power to invest for 'any purpose relevant to its functions under any enactment, or for the purpose of the prudent management of its financial affairs'.
- 2.2 The policy of the Council is to ensure that its investments contribute to its objectives, through effective treasury management activities and the prudent management of its finances, through an appropriate balance of risk and return. This policy will adhere to the principle to prioritise Security (protecting the capital sum from loss), Liquidity (ensuring the funds are easily available/available when required) and Yield (rate of return) in that order of importance to ensure that any risks are effectively mitigated.

#### 3. Security

- 3.1 Whilst financial investments can fall into one of three categories, Specified Investments, Loans and other Non-specified Investments, for the purpose of this policy it will only cover Specified Investments as it is considered that members and officers would need additional skills and training to consider other investments.
- 3.2 A Specified Investment, as provided by paragraph 31 of the Statutory Guidance, is an investment where **all** of the following apply;

- The investment and any payments in respect of the investment are denominated in sterling.
- The investment is not long term, such that the local authority has contractual right to repayment within 12 months if required.
- The making of the investment is not defined as capital expenditure by Regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended].
- The investment is made with a body or investment scheme of 'high credit quality' or the United Kingdom Government, a local authority (as defined in section 23 of the 2003 Act) or a parish council or community council.

3.3 Acknowledging the requirements set out in 3.2 above, The Council will invest in:

- Bank deposit accounts of 'high credit quality' from instant access up to 12 months in term
- The Public Sector Deposit Fund, a UK FCA Qualifying Money Market Fund managed by CCLA, one of the UK's largest charity fund managers. This consists of pooled funds, having the advantage of providing diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. It offers withdrawals on demand and is good alternative to instant access bank accounts.

3.4 Investments will be spread over different providers where possible in line with agreed limits in order to reduce counterparty risk.

3.5 The Council defines 'high credit quality' organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds 'high credit quality' is defined as having credit rating of A- or higher.

3.6 The choice of institution and length of deposit will be at the discretion of the Council.

#### **4. Liquidity of Investments:**

4.1 The Council will use cash-flow forecasting to determine the maximum period for which funds may be prudently committed. The forecast will be compiled on a prudent basis to minimise the risk of the Council being unable to meet its financial commitments in the short term.

#### **5. End of Year Investment Report:**

5.1 At the end of the financial year the Responsible Finance Officer will report on investment activity to the Council.

## **6. Review and Amendment**

- 6.1. The Investment Strategy will be reviewed annually by the responsible Financial Officer and presented to Full Council for adoption.
- 6.2. The Investment Strategy may be varied by Full Council from time to time during the financial year as circumstances dictate.