



## INVESTMENT STRATEGY AND POLICY

### 1. Introduction

Melksham Town Council (the Council) acknowledges the importance of prudently investing the temporary surplus funds held on behalf of the community as part of its fiduciary duty. This strategy complies with the revised requirements set out in the Department of Communities and Local Government Guidance on Local Government Investments and takes into account Section 15(1)(a) of the Local Government Act 2003 and guidance within Governance and Accountability for Local Councils Practitioner's Guide.

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.

The council defines its treasury management activities as 'the management of the council's 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

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

### 3. Investment Objectives

The council's investment priorities are:

- the security of its reserves, and
- the adequate liquidity of its investments, and
- the return on investment.

The council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The council will ensure it has adequate though not excessive cash resources, or standby facilities to enable it at all times to have the level of funds available which are necessary for the achievement of its service objectives.

All investments will be made in sterling.

The Department of Communities and Local Government 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.

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 – based on information from credit rating agencies.

Investments will be spread over different providers where appropriate to minimise risk.

#### **4. Specified investments**

Specified investments are those offering high security and high liquidity, made in sterling and with a maturity of 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.

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

- Deposits with banks and building societies.
- Other approved public sector investment funds.

The choice of institution and length of deposit will be at the recommendation of the Town Clerk/ Responsible Financial Officer (RFO).

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

#### **5. Non specified investments**

These investments have greater potential risk – examples include investment in the money market, stocks and shares. Given the unpredictability and uncertainty surrounding such investments the council will not use this type of investment.

#### **6. Liquidity of investments**

The Town Clerk/RFO will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.

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 counterparty.

#### **7. Long term investments**

Long term investments are defined in the Guidance as greater than 12 months.

#### **8. Investment strategy**

The council will only invest in institutions of high credit quality – based on information from approved credit rating agencies (Moody's Investors Service Ltd, Fitch Ratings Ltd or Standard and Poor's). High credit quality is defined as a body or investment scheme with an 'A' or P1 rating.

When considering the investments to be made by the council, credit checks will be carried out and regard will be had to UK credit ratings as follows:

AAA - Extremely strong capacity to meet its financial commitments. AAA is the highest issuer credit rating.

AA - Very strong capacity to meet its financial commitments. It differs from the highest rated investment companies only in small degrees.

A - Strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than investment companies in higher-rated categories.

BBB - Adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the investment company to meet its financial commitments.

The council will monitor the risk of loss on investments by a periodic review of credit ratings and assess the risk of loss before entering into, and whilst holding, an investment.

Melksham Town Council aims to invest in companies/ investments with a AAA or AA credit rating.

## **9. Banking Arrangements**

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.

## **10. Review and amendment of regulations**

At the end of the financial year, the Town Clerk/RFO will report on investment activity to Full Council.

## **11. Review and amendment of regulations**

The Investment Strategy and Policy must be reviewed annually by Full Council and revised if considered necessary.

The council reserves the right to make variations to the Investment Strategy and Policy at any time subject to the approval of Full Council. Any variations will be made available to the public.

## **12. Freedom of information**

In accordance with the Freedom of Information Act 2000, the council's Investment Strategy and Policy will be published on the Town Council's website.

Reviewed and Adopted by Full Council on 24 January 2022