



## **SOUTHWOLD TOWN COUNCIL**

### **INVESTMENT STRATEGY 2023.24**

#### **1. INTRODUCTION**

Southwold 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 requirements of the Guidance issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003. Under that section local authorities are required to “have regard” to “such guidance as the Secretary of State may issue” This guidance is effective from 1 April 2018 and applies to parish councils, providing their total investments exceed £100,000 at any time during the financial year. 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**

**2.1** 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.

#### **3. INVESTMENT OBJECTIVES**

**3.1** The Council’s investment objectives are:-

- **Security** – protecting the capital sum invested from loss: and
- **Liquidity** – ensuring the funds invested are available for expenditure

**3.2** The generation of **yield** is distinct from these prudential objectives. However, this does not mean that potential revenue will be ignored. Once proper levels of security and liquidity are achieved, the council will consider what yield can be obtained consistent with these priorities.

**3.3** All investments will be made in sterling.

**3.4** The Department for 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.

**3.5** 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 (as defined).

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

#### **4. SPECIFIED INVESTMENTS**

**4.1** Specified investments are those offering high security and high liquidity with a maturity of no more than one year. In addition, short-term sterling investments must be with bodies/institutions with “high credit ratings”

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

- UK banks and UK building societies;
- Public Bodies (including Local Authorities and Police Authorities);
- UK FCA regulated qualifying money market funds with a triple A rating.

**4.2** The choice of institution and length of deposit will be by the approval of the council.

**4.3** 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**

**5.1** 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**

**6.1** The Responsible Finance Officer in consultation with the Finance and Governance Cttee will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity and make recommendations to council.

## **7. LONG TERM INVESTMENTS**

**7.1** Long term investments shall be defined as greater than one year. The council will use the same criteria for assessing long term investment as identified above for specified investments The council does not currently hold any long term investments.

## **8. RISK ASSESSMENT**

**8.1** The council's reserves are covered by the Financial Services Compensation Scheme up to £85,000 and must therefore be carefully managed to mitigate the risk of losses. The council will only invest in institutions of "high credit quality" as set out in section 4.1 of this strategy. Investments will be spread over different providers where appropriate to minimise risk. 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 F1 rating for short-term investments or Fitch A- for long term investments. The council will also have regard for the general economic and political environment in which institutions operate. The investment position will be reviewed annually by the Responsible Financial Officer and reported to the Finance & Governance Committee.

## **9. REVIEW AND AMENDMENT OF REGULATIONS**

**9.1** The Annual Investment Strategy must be reviewed annually and revised if considered necessary.

**9.2** The council reserves the right to make variations to the Investment Strategy at any time subject to the approval of council. Any variations will be made available to the public.

## **10. FREEDOM OF INFORMATION**

**10.1** In accordance with the Freedom of Information Act 2000 this document will be posted on the council's website: <https://southwoldtown.com/>

**Reviewed 30<sup>th</sup> May 2023**