

ALCESTER TOWN COUNCIL
ANNUAL INVESTMENT STRATEGY 2023-24

1. Introduction

Alcester Town Council acknowledges the importance of prudently investing the temporarily surplus funds held on behalf of the community.

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, effective from 1st April 2010.

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, and the effective control of the risks associated with those activities, and the pursuit of best value performance consistent with those risks.”

The Guidance states:

- a) Where a Town or Parish Council expects its investments at any time during a financial year to exceed £500,000, 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 £500,000, 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.

The Council expects its investments during the 2023-24 financial year not to exceed £500,000 and therefore has agreed to apply the Guidance as set out below.

2. Investment Objectives

The Council’s investment priorities are:

- 1) The security of its reserves.
- 2) The liquidity of its investments; and
- 3) The return on investment.

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

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

The Department for Communities and Local Government maintains that borrowing of monies purely to invest, or to lend and make a return, is unlawful and this Council will not engage in such activity.

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

3. Security of Investments

Government guidance differentiates between specified investments and non-specified investments.

3.1 Specified Investments

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.

3.2 Non-specified investments

Non-specified investments are usually for longer periods (i.e. more than one year) and with bodies that are not highly credit rated.

No non-specified investments are included in the Investment Strategy for this Council as these investments are not acceptable due to their higher potential risk.

4. Liquidity of Investments

The Responsible Finance Officer in consultation with Finance and General Purposes Committee will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.

5. Long Term Investments

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.

6. Risk Assessment

The Town Council is classified as a “small local authority” by the Financial Services Compensation Fund so up to £85,000 of investment is protected in each financial institution. If the Town Council’s annual budget exceeds 500,000 EUR in future (currently £435,000) the FSCS scheme will not apply.

Historically, the majority of the Town Council’s funds were invested with Lloyds Bank PLC.

In order to reduce risk the Town Council should seek to spread funds between different financial institutions.

The Council will only invest in institutions of “high credit quality” as set out in section 3.1 of this strategy.

The investment position will be reviewed quarterly by the RFO and reported to the Finance & General Purposes Committee.

The Council does not employ, in-house or externally, any financial advisors but will rely on information which is publicly available.

7. Use of Investment Managers

If external investment managers are used, they will be contractually required to comply with this strategy.

8. Investment Strategy 2023/24

The Council will invest as much of its balance as possible in a low-risk product in order to achieve its investment objectives.

The Public Sector Deposit Fund (PSDF) has been identified as a low risk, high liquidity option (funds can be moved in or out in the same day) to be used for investment and has been used for the past two years.

The rate of return on the PSDF has provided useful additional income during the past year yielding 3.9060% as at 28 February 2023.

The RFO shall have delegated authority to undertake transfers between the Lloyds Account and the PSDF as required to ensure the minimum operating cost balance is maintained and returns are maximised.

Cllr Kathryn Cargill to remain the counter-signatory on the PSDF account.

9. Review and Amendment of Regulations

The Investment Strategy will be reviewed annually or earlier if required.

Approved by F & GP - 30th May 2023
To be reviewed – October 2023 and May 2024