



Investment Strategy

1. Introduction:

- 1.1. Morecambe Town Council acknowledges the importance of prudently investing funds held in reserves.
- 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:
 - The Department of Communities and Local Government 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 treasury management activities and the associated risks.

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 determine 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 Morecambe Town Council's investment priorities therefore are, in order of importance:
- 1) the **security** of its reserves
 - 2) the adequate **liquidity** of its investments
 - 3) the **return** on investments
- 3.5 All investments will be made in British Pound Sterling.
- 3.6 The Department for Communities and Local Government maintains that 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 Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Credit ratings may be obtained and monitored by employing the services of a treasury adviser, who as part of the services provided would advise the Council on appropriate credit criteria and will also notify changes in credit ratings as they occur. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.
- 3.8 The Council may also wish to invest its surplus funds with the Debt Management Agency Deposit Facility (DMADF) – essentially investing with the UK government – for periods up to 6 months, which is currently the longest term offered by the DMADF.
- 3.9 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.
- 3.10 The Council will monitor the risk of loss on investments by regularly reviewing credit ratings across the three main agencies. The Council will only invest with institutions deemed to be of 'high credit quality' based on rating agency information (see 4.2 below).
- 3.11 Credit ratings will be obtained and monitored by the Finance Officer. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made
 - any existing investments that can be recalled or sold at no cost will be
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty
- 3.12 The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other information, including credit default swaps, financial statements, information on potential government support, and reports in the financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet credit rating criteria.
- 3.13 Investments will be spread over different providers where possible in line with agreed limits in order to reduce risk.
- 3.14 If an external investment manager is used, they will be contractually required to comply with this strategy.

4. Specified Investments:

- 4.1. Guidance specifies investments as those
- denominated in pound sterling

- due to be repaid within 12 months of arrangement
- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government
 - a UK local authority, parish council or community council, or
 - a body or investment scheme of 'high credit quality'

4.2 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

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

4.4 For the prudent management of its treasury balances, including maintaining sufficient levels of security and liquidity, the Council will place deposits with banks, building societies, local authorities and other public authorities/bodies.

4.5 The choice of institution and length of deposit will be at the discretion of the Finance & Governance Committee (subject to any decisions being in accord with the strategy of the Council, its management of reserves, and requirement for access to monies such as earmarked reserves for fulfilment of services).

4.6 Morecambe Town Council's current and only investment is with Unity Trust Bank in the form of a non-interest generating current bank account. However, as part of the new strategy, investments will be spread across different counter-parties with high credit ratings in order to reduce risk.

4.7 It is recommended that day-to-day banking will remain with Unity Trust Bank, with further consideration given to opening an accessible interest generating account and a fund account such as CCLA Public Sector Deposit Fund.

4.8 The Council will give initial consideration to investments with:

- Unity Trust Bank – Current Account
- Unity Trust Bank – Savings Account
- CCLA – The Public Sector Deposit Fund (pooled)

Any additional counterparties will be considered and approved by the Finance & Governance Committee.

5. Liquidity of Investments:

5.1. The Finance & Governance Committee will determine the maximum periods for which funds may prudently be committed so as not to unacceptably increase liquidity risk. Recommended terms will be given by the Finance Officer dependent on forecasted expenditure. All decisions must be in accord with the strategy of the Council, its management of reserves, and requirement for access to monies such as earmarked reserves for fulfilment of services.

7. Long-Term Investments:

7.1. Long-term investments are defined in the DCLG Investment Guidance as those due to be repaid in over 12 months from arrangement.

7.2. The Council does not currently hold any long-term investments.

8. End of Year Investment Report:

8.1. the Finance Officer will regularly report on investment activity to the Finance & Governance Committee.

9. Review and Amendment of Regulations:

9.1. The Investment Strategy will be reviewed annually by the Finance and Governance Committee with recommendations given to Full Council prior to approval.

9.2 The Annual Strategy for the coming financial year will be prepared by the Financial Officer and presented for approval at a Finance & Governance Committee Meeting.

9.2. The Investment Strategy must be approved by Full Council. The Council reserves the right to make variations to the Investment Strategy at any time. Any variations will be made available to the public.

10. Treasury Management Advice:

10.1. The Responsible Finance Officer may recommend that independent, external, expert 'Treasury Management' advice is sought to both review this Investment Strategy and the allocations of Specified Investments.

10.2 Treasury Management advice would typically come from either:

- the principal local authority
- treasury management advisory firms who specialise in local authority and local town & parish councils
- other local independent financial advisors with expertise in advising business and individuals with significant cash sums to manage and invest.

History:

06/02/24 - Considered by the Finance & Governance Committee (Minute Ref: FG2324-23)

15/02/24 – Adopted by Full Council (Minute Ref - Minute 2023/24 - 086 – Policies)