



LUDGERSHALL TOWN COUNCIL ANNUAL INVESTMENT STRATEGY 2022-23

1. Introduction

Ludgershall 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 2022-23 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 the Finance & Policy Committee of Ludgershall Town Council (or Full Town Council) 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

If the Town Council's funds are not covered by the Financial Services Compensation Scheme (up to £85,000) it must carefully manage the Town Council's funds to mitigate the risk of losses. The Town Council will reduce risks by spreading these funds across multiple holdings to reduce this risk. If the total expenditure exceeds £500,000 this is further enhanced by utilising another asset class in property thereby holding some of LTC's cash away from banks.

The Council will only invest in institutions of "high credit quality" as set out in section 3.1 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 monthly by the Responsible Financial Officer and reported to the Finance & Policy Committee (Full Council).

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 2022/23

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 ongoing for investment.

Current holdings (as at the beginning of the financial year) outside the PSDF are; with Lloyds bank totaling just over £90,000.

Therefore, once the first half of the precept is received the RFO & Finance Committee are recommending placing an additional amount of £90,000 into the Public Sector Deposit Fund, which will bring the total with PDSF to over £420,000. There will be large amounts spent this year on upgrading the new office, Skatepark and a new MUGA reducing the funds substantially. The Lloyds bank holidays will be looked at each month as to whether to move further funds, and again specifically in October after the second half of the precept is received.

The RFO shall have delegated authority to set up any accounts/funds as approved in this policy (with the signature of 2 Cllrs) and undertake transfers between the Lloyds Account and the PSDF as required to ensure the minimum operating cost balance is maintained.

9. Investment Approval

The Finance & Policy Committee (Full Council) has the delegated authority to consider and make any short-term investments (maximum of twelve months), in accordance with the Annual Investment Strategy, subject to the prior approval of the investment provider by the Town Council. All resolutions relating to investments will be noted in the minutes of the Interim Full Council Meetings.

10. Investment Reports

The Responsible Finance Officer will prepare a report on investment activity each Month. The report will be circulated to all councillors.

11. Review and Amendment of Regulations

The Investment Strategy will be reviewed annually. The Annual Strategy for the coming financial year will be prepared and reviewed by the Finance & Policy Committee which will then make a recommendation to the Full Council.

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

12. Freedom of Information

In accordance with the Freedom of Information Act 2000, this Document will be posted on the Town Council website and a hard copy will be available from the Town Clerk.

Approved by Ludgershall Town Council at December 2021
FTC Minute ref: 150-21/22

Reviewed and adopted August 2022
Next review: April 2023