



# Lydney Town Council

## **INVESTMENT STRATEGY – Updated April 2024**

(Readopted 13.05.24)

### **INTRODUCTION**

Lydney Town Council (“the Council”) acknowledges the importance of prudently investing the surplus funds held on behalf of the community.

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.

This strategy complies with the requirements set out in: -

- The Department for Levelling Up, Housing and Communities “Guidance on Local Government Investments”.
- Section 15 (1) (a) of the Local Government Act 2003.
  - An investment strategy is required for all investments expected to exceed £100,000 at any time during the financial year.
- Guidance within Governance and Accountability for Local Councils “Practitioners Guide”.
- Lydney Town Council acknowledges its duty to act prudently when investing all funds held on behalf of the community by the Council.

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.

### **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 risk.

### **INVESTMENT OBJECTIVES**

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.

The guidance defines a prudent investment policy as having two primary objectives: -

- Achieving first of all **security** (protecting the capital sum from loss) and then **liquidity** (keeping the money readily available for expenditure when needed). Once proper levels of security and liquidity are determined it will then be reasonable to consider a third objective, what level of **yield** can be obtained with the first two objectives.

This widely recognised investment strategy is sometimes more informally and memorably expressed as follows: -

- **Security – Liquidity – Yield** in that order.

The Council's investment priorities therefore are: -

- The **security** of its reserves, and
- The adequate **liquidity** of its investments, and
- The return (**yield**) 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.

The Department for Levelling Up, Housing and Communities 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.

Where external investment managers are used (*none at present*) they will be contractually required to comply with the Policy/Strategy.

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 approved credit rating agencies.

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

## **SPECIFIED INVESTMENTS**

Specified investments are those offering high security and high liquidity. All investments will be made in sterling and for no more than a year.

Such short-term investments made with the UK Government or a Local Authority or a Town/Parish Council will automatically be Specified Investments.

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

- Deposits with banks, building societies, local authorities or other public authorities.

The choice of institution and length of deposit will be at the discretion of the Finance and Scrutiny Committee.

The Council's only investments are the funds held in a Deposit Account with Lloyds Bank, being the Council's Reserves.

### **LIQUIDITY OF INVESTMENTS**

Interest rates will be monitored and the Council will reconsider making use of Fixed Term Deposits and other investments when rates are more attractive. The Finance and Scrutiny Committee will determine the maximum periods for which such funds may prudently be committed so as not to compromise liquidity.

### **NON-SPECIFIED INVESTMENTS**

These investments have great potential risk – examples include investment in money market, stocks and shares. Given the unpredictability and uncertainty surrounding such investments Lydney Town Council will not use this type of investment. 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 to the counterparty.

### **LONG-TERM INVESTMENTS**

Long-Term Investments are defined in the Guidance as greater than 36 months.

Lydney Town Council does not currently hold any funds in long term investments.

No long-term investments are envisaged at present.

### **END OF YEAR INVESTMENT REPORT**

The Council has no investments other than its Deposit Account with Lloyds Bank.

If this should change in future years the Responsible Finance Officer will report on investment activity to the Finance and Scrutiny Committee.

### **REVIEW & AMENDMENT OF REGULATIONS: RISK MANAGEMENT & MONITORING**

The Investment Strategy will be reviewed annually by the Council.

A risk assessment is to be maintained for each investment, as recorded in the Council's Financial Risk Assessment document.

The assessment should include details of the market appraisals appropriate to the investment type, investment monitoring reports and how the Council will monitor the quality of advice provided by the financial advisor.

Investment performance reports will be provided by the investment institutions and reported to the Finance & Scrutiny Committee or Full Council to allow current / new investments to be reviewed as part of the budgeting process.

The Council will monitor the risk of loss on investments by reviewing credit ratings for the investment institutions at least annually. This will be achieved by asking the institutions to confirm their current credit rating.

The Council will arrange for its members and officers to undertake appropriate training to enable robust monitoring and decision making in regard of its investments and require that clear, understandable monitoring reports are issued as part of the risk management process.

The Town Clerk, as Responsible Financial Officer, shall be the contact for the financial advisor and any appointed counterparties and is authorised to deal with administrative matters and give instructions on behalf of the Council as necessary to protect the Council's investments.

The Council's investments will be recorded on the Asset Register at their purchase price, noting the notional value each year until the investment is encashed.

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

The Investment Strategy must be approved by Council but may be varied from time to time as circumstances dictate.