



# Yateley Town Council Investment Policy & Strategy 2021/22

## 1. Introduction & Scope

1.1 This Investment Policy & Strategy has been devised in line with the Statutory Guidance on Local Government Investments (3<sup>rd</sup> Edition) issued under 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.

1.2 This investment policy and strategy applies to all investment activities undertaken by the Council.

1.3 Yateley Town Council acknowledges its duty to act prudently when investing all funds held on behalf of the community by the Council.

## 2. Investment Objectives & Principles

2.1 The Council aims to invest its surplus reserves in order to maintain the value of these funds in real terms, to support future service delivery.

2.2 The Council is required to consider investments in line with the following principles:

- a) Security – protection of the investment sum from loss of value and to minimise risk;
- b) Liquidity – how quickly the invested funds can be encashed if required;
- c) Yield – once principles a) and b) have been determined, the Council can reasonably consider suitable investments to maximise the Council's income.

The Council should consider the appropriate balance between security, liquidity and yield in relation to risk when making any investment decisions and in order to achieve the optimum return on investment.

2.3 All investments shall be made in the name of the Council and be deposited in sterling.

2.4 The decision to invest funds must be taken at a Full Council meeting.

2.5 The choice of institution and length of the deposit shall be decided by Full Council, subject to the investment type defined in sections 3 and 4 and advice from the appointed financial advisor. The Council will aim to only invest in institutions with a high credit quality and low credit risk based on information from credit agencies<sup>1</sup>, aiming for those with an 'A' rating. The institution's credit rating will be reviewed on a regular basis and at any time that further funds are to be invested.

2.6 The Council will consider spreading its investments across financial institutions to minimise risk and to protect its funds in line with the current level of financial protection offered by the Financial Services Compensation Scheme (currently £85,000 for claims after 01/04/19).

2.7 Should the Council appoint an investment manager or financial advisor, this appointment shall be reviewed every five years. Advisors will be made aware of this policy as well as the regulatory and statutory framework applicable to Councils.

2.8 The Council will encourage the financial advisor to consider social, ethical and environmental factors when looking at the various investment options.

2.9 All investments will be with financial institutions, banks and building societies registered in the UK.

2.10 The Investment Policy & Strategy will be published on the Council's website.

2.11 The Council does not currently plan on investing in non-financial assets.

### **3. Short Term Specified Investments**

3.1 Short term specified investments are defined as those offering high security and high liquidity, made in sterling and with a maturity of no more than 12 months. Short term investments made with the UK Government or to a local authority or Town/Parish Council will automatically be defined as a specified investment.

3.2 For the prudent management of the Council's treasury balances and in order to maintain adequate levels of security and liquidity the Council may choose to invest short term funds with:

- Banks, building societies, local authorities or other public authorities who are all based in the UK;
- Other approved public sector investment funds.

### **4. Long Term Non-Specified Investments**

4.1 Non-specified investments are defined as any investments that do not meet the criteria of short term specified investments detailed in section 3. In general, non-specified investments have greater risk potential and include investment in money markets, stocks and shares.

4.2 Funds may be invested for periods of more than 12 months. In specifying the length of the investment, the Council's anticipated expenditure requirement over the proposed investment period will be assessed to ensure sufficient funds remain available.

4.3 The Council may place investments not required for current expenditure with long term non-specified investments with a maturity period of up to 5 years, at which point the investment objectives should be fully reviewed to determine whether the investment should continue.

4.4 The Council will determine the upper limits for the maximum amounts that can be held individually or accumulatively in non-specified investments and will confirm annually that the investments have remained within these limits.

4.5 The Council will seek the advice of an independent financial advisor prior to making any long term investments, as part of the risk management process.

### **5. Risk Management & Monitoring**

5.1 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.

5.2 Investment performance reports will be provided by the investment institutions and reported to the Finance & Policy Committee in November to allow current / new investments to be reviewed as part of the budgeting process.

5.3 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.

5.4 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.

5.5 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.

5.6 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.

## **6. End of Year Investment Report & Governance**

6.1 At the end of the financial year, the Town Clerk will supply an annual report for each investment to the Finance & Policy Committee.

6.2 The Town Clerk is responsible for bringing to the Council's attention any matters which may affect the security of the Council's investments. The Full Council is responsible for agreeing any course of action required to safeguard its investments.

## **7. Review Process**

7.1 The Annual Investment Strategy must be reviewed annually by the Finance & Policy Committee, ideally before the start of that financial year, prior to being ratified by Full Council.

7.2 Any amendments required to the Investment Strategy must be approved by Full Council prior to implementation. Amendments can be proposed at any time during the year, as required.

## **8. Investment Strategy 2021/22**

The Council agreed at their Full Council meeting on 18<sup>th</sup> September 2017 to invest SANG funds with St. James's Place Wealth Management and CCLA for a minimum of 5 years in order to preserve the real value of the funds. The SANG fund can only be used for projects relating to the Swan Lake open space. The Council has a residual SANG fund reserve of £60,000 at its disposal for any ad hoc expenditure.

The following investments and bank deposits are held by the Council:

October 2017: £100,000 (SANG fund) – CCLA Local Authorities' Mutual Investment Trust  
Type: Local Authorities Property Fund.

Risk Level: Lower-Medium (with some degree of illiquidity risk associated with property)

Term: No fixed term but recommendation to retain funds over the medium to long term to preserve capital value.

Reports issued: statement of accounts received each quarter plus market factsheet. CCLA annual report & accounts are prepared at 30.09 and 31.03 annually.

Fund value (excluding dividend payments): £91,212.25 at 31.01.21 taken from certificate of balance.

Credit rating: The Local Authorities Property Fund does not require a credit rating.

#### December 2017: £100,000 (SANG fund) – St. James’s Place Wealth Management

Type: Conservative Unit Trust Portfolio.

Risk Level: Lower-Medium (one step up from a cash deposit account)

Term: The recommended minimum term for this investment is 5 years although the product does not have a fixed term and can be encashed in full or part at any time.

Fund value (excluding income accumulation allocated): £102,870 at 03.02.21.

Credit rating: St. James’s Place does not issue lending or debt and therefore does not have a credit rating. A review meeting with the Fund Manager is due to take place in March 2021.

#### Other bank deposits held for current expenditure / reserves at 31.01.21 (>£100k)

Lloyds Deposit - £149,896

Lloyds Business Call - £420,577

Actions Required for 2021/22 No further funds are to be deposited into the CCLA and St James’s Place investments during the 2021/22 financial year. The Council does not require access to either fund, since no new projects are planned for Swan Lake this financial year. As investments have been made into relatively liquid products, the Council’s exposure to liquidity remains low.

The CCLA investment has fallen in value, although the investment is deemed to be medium to long term. As the funds are not required to support current expenditure, the Council will continue to monitor the performance of the investment over the course of the year, through the review of interim reports issued by the financial institution.

The Council will continue to use Lloyds Bank as the primary banking providers. After the year end accounts have been prepared, the Council may wish to consider investing a proportion of free reserves into a higher rate deposit account, either through Lloyds or another UK institution.

#### **Amendment Record**

- Version 1: Issued as draft policy to Finance & Policy Committee 08.04.19  
Approved at Full Council meeting 15.04.19
- Version 2: Reviewed at Finance & Policy Committee 02.12.19  
Approved at Full Council meeting 27.01.20
- Version 3: Reviewed at Finance & Policy Committee 15.02.21  
Approved at Full Council 15.03.21

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<sup>1</sup> A credit ratings agency is defined in the Statutory Guidance as one of the following three companies: Standard and Poor’s, Moody’s Investors Service Ltd and Fitch Ratings Ltd.