

	RUGELEY TOWN COUNCIL	
--	---------------------------------	--

Banking and Investment Strategy

Version 3

Date Created	Date Adopted	Date last Reviewed	Next Review Date
November 2019	March 2020	8 th May 2024	30 th June 2024

Banking and Investment Strategy

Rugeley Town Council

1. Introduction

- 1.1 Rugeley Town Council (The Council) acknowledges the importance of prudently investing the funds held on behalf of the community.
- 1.2 This strategy is created under guidance issued by the Secretary of State for Communities and Local Government in accordance with the Local Government Act 2003. It 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 Ministry of Housing, 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 *Practitioners Guide*
- 1.4 The Council defines its treasury management activities as the management of the Councils 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. The Strategy

- 2.1 This strategy establishes formal objectives, policies and practices and reporting arrangements for the effective management and control of the Councils treasury management activities and the associated risks. Consultation took place with CCLA to consider the options available to the Town Council as a local authority body.

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 Treasury Management Code and MHCLG 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.

Banking and Investment Strategy

Rugeley Town Council

- 3.3 The Council's objective when investing money is to strike 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 investment commensurate with appropriate levels of security and liquidity.
- 3.4 This widely recognised investment strategy is sometimes more informally and memorably expressed as follows:
- Security – Liquidity – Yield.....in that order.
- 3.5 Rugeley Town 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.
- 3.6 The Department for Communities and Local Government 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.
- 3.7 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.

4. Specified Investments

4.1 MHCLG Guidance defines specified investments as those:

- Denoted in pounds 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 a rating of A- or higher.

Banking and Investment Strategy

Rugeley Town Council

- 4.3 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.
- 4.4 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.
- 4.5 The choice of institution and length of deposit will be at the discretion of the Finance & Management Committee. In October 2021 it was agreed that the CCLA Public Sector Deposit Fund be used to hold all funds not being held in the Lloyds Bank current account.

5. Non Specified Investments

- 5.1 These investments have greater potential risk – examples include investment in the money market, stocks and shares.
- 5.2 Given the unpredictability and uncertainty surrounding such investments Rugeley Town Council will not use this type of investment.

6 Loans

- 6.1 The Council will not make loans to local enterprises, local charities, wholly owned companies, joint ventures or individuals for any reason.

7. Liquidity of Investments

- 7.1 The Finance & Management Committee will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.
- 7.2 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 over to the counterparty.

8. Long Term Investments

- 8.1 Long Term Investments are defined in the MHCLG Guidance.
- 8.2 The Council does not currently hold any funds in long term treasury investments, and none are envisaged as being taken out.

9. End Of year Investment Report

- 9.1 At the end of the financial year the Responsible Finance Officer will report on investment activity to the Finance & Management Committee.

Banking and Investment Strategy

Rugeley Town Council

10. Details of accounts held

10.1 The accounts held by Rugeley Town Council ensure that financial liability is spread across different financial institutions. The Town Council is mindful of the requirements of the FCSC regarding the £85,000 limit in individual institutions but is also aware that annual income of the Town Council is close to income of £400k per year.

10.2 Rugeley Town Council hold three accounts which are detailed as followed:

Lloyds Bank Current Account (our local high street bank)

Public Sector Deposit Fund (held through CCLA) - £400,000

10.3 Arrangements have been agreed to move money between the two accounts to ensure that no more than £200,000 and no less than £100,000 is held in Lloyds bank.

11. Review and Amendment of the Policy

11.1 The Banking and Investment Strategy will be reviewed annually by the Full Council.

11.2 At the end of the financial year during the preparation of accounts, the Town Clerk, in consultation with the RFO, will also report on investment activity.

11.3 The Council may recommend variations of the policy for approval by the Full Council in accordance with the guidance from the Secretary of State.

11.4 The Council will review the Councils banking arrangements every two years.