Macclesfield Town Council

Treasury Management and Investment Strategy

Document Version Control

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1. Introduction & Scope

Relevant Guidance

1.1 This Investment Policy & Strategy has been devised in line with:

a) the Statutory Guidance on Local Government Investments (3rd Edition) issued under section 15(1)(a) of the Local Government Act 2003. Section 15(1)(a) of the 2003 Act requires local authorities to *"have regard"* to such guidance the Secretary of State may issue and in accordance with section 23 of the Act *"local authority"* applies to parish and town councils;

b) The Treasury Management Code issued by CIPFA – "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, 2017 Edition"

1.2 This investment policy and strategy applies to all investment activities undertaken by the Council
and for the avoidance of doubt the Statutory Guidance defines an 'investment' as:

> *"..all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example investment property portfolios." (para 4).*

1.3 Macclesfield Town Council although relatively new regards its duty to act prudently with upmost importance when investing all funds held on behalf of the community by the Council.

1.4 An investment strategy is required for all investments expected to exceed £100,000 at any time during the financial year.

> *"14. This guidance applies to parish councils and charter trustees, providing their total investments exceed or are expected to exceed £100,000 at any time during the financial year. Where a parish council or charter trustee expects its total investments to be between*
> *£10,000 and £100,000, it is encouraged to adopt the principles in this*
>
> *guidance." (para 14 Statutory Guidance)*

1.5 guidance states that local authorities who hold treasury management investments should apply the principles set out in the CIPFA Treasury Management Code. There are 3 key principles within section 4 of the Code which are:

> *"1. The Council should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.*
>
> *2. Policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds.*
>
> *3. The Council should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of risk management, their treasury management policies and practices should reflect this."*

2. Investment Objectives & Principles

Transparency and democratic accountability

2.1 The Town Council shall prepare one investment strategy (“the Strategy”) for each financial year.

2.2 The Strategy shall be approved by Full Council and where any changes are proposed to be made during the financial year those changes shall be presented to Full Council before any implementation occurs.

2.3 The Strategy shall be publicly available on the Town Council’s website or upon reasonable written request by email or letter.

Investment Objectives

2.5 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 security, liquidity and best value performance consistent with those risks.

2.6 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.

2.7 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.

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

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

2.10 The Ministry for Housing Communities and Local Government maintains the borrowing of money purely to invest or to lend and make a return is unlawful. The Council will not engage in such activity.

2.11 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.

2.12 The Council will encourage participation in social, ethical and environmental factors when looking at the various investment options and will adhere to its Ethical Investing Policy where possible.
2.13 All investments will be with financial institutions, banks and building societies registered in the UK.

2.14 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 and not defined as capital expenditure by virtue of Regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [as amended]. 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.

3.3 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

4.6 Macclesfield Town Council's current investment is with CCLA – Public Sector Deposit Fund.

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.

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 Committee to allow current / new investments to be reviewed.

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 Town Clerk, as Responsible Financial Officer, shall be the contact for 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.

6. End of Year Investment Report & Governance

6.1 At the end of the financial year, the Town Clerk will supply a report on investments to the Full Council.

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 Full Council.