



Royston Town Council Investment Strategy 2019-2020

Approved by Full Council 25th March 2019 - Minute 387/19

1. Introduction

Royston Town Council (the Council) acknowledges the importance of prudently investing the temporary surplus funds held on behalf of the community. This strategy complies with guidance issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003.

2. Investment Objectives

The general policy objective for the Council is the prudent investment of its balances. The Council's investment priorities are:

- a) The security of its reserves
- b) The liquidity of its investments
- c) The yield obtained from any 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.

3. Specified Investments

Specified investments are those offering high security and high liquidity, made in sterling and with maturity of no more than a year. Such short term investments made with the UK Government or a Local Authority (as defined) or a Town/Parish Council will automatically be specified investments.

For the prudent management of its treasury balances, the Council may use:

- Deposits with banks, building societies, local authorities or public authorities
- Treasury deposits with UK clearing banks
- Money market funds
- UK Government issued gilts
- Other approved public sector investment funds

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

4. Non Specified Investments

These investments have greater potential risk and are usually for longer periods and with bodies that are not as highly credit rated. Examples include investment in money markets, stocks and shares. Given the unpredictability and uncertainty surrounding such investments the Council will not use this type of investment.

5. Liquidity of Investments

The Responsible Financial Officer, in consultation with the Finance Committee, will determine the maximum periods for which funds may be prudently committed so as not to compromise liquidity.

6. Long Term Investments

Long term investments shall be defined as greater than one year. The Council does not currently hold any long term investments.

7. Risk Assessment

The Town Council's funds are not covered by the Financial Services Compensation Scheme as turnover exceeds 500,000 euros and must therefore be carefully managed to mitigate the risk of losses.

To reduce risks, funds should be held in more than one organisation/fund. The Council will only invest in institutions of "high credit quality". The Council will monitor the risk of loss on investments by reference to credit ratings. The Council will also have regard for the general and political environment in which institutions operate.

The investment position will be reviewed by the Responsible Financial Officer and reported to the Finance Committee.

The Council does not employ, in-house or externally, any financial advisors but will rely on information which is publicly available.

8. Investment Strategy 2019-2020

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 on the same day and it has an AAmmf credit quality and sensitivity rating by Fitch. £100,000 will remain in this investment for 2019-2020 subject to its performance and credit rating being monitored.

The balances remaining, after accounting for working capital requirements, will be invested in a Treasury deposit with Barclays Bank. The Treasury deposit is invested for one month on a rolling basis, the amount being determined and instructed by the Town Clerk. Barclays currently has an A rating from Fitch. This account currently has a balance of £325,000. Whilst slightly less liquid than the PSDF, it is deemed unlikely that the funds will need to be accessed sooner than 1 month (in the worst case scenario).

Working capital sums will be held in bank accounts at Barclays bank.

The Town Clerk shall have delegated authority (as contained within the Financial Regulations) to set up any accounts/funds as approved in this policy, and undertake transfers between Barclays accounts and the PSDF as required.

9. Review and Amendment of Regulations

The investment strategy will be reviewed annually by Full Council and revised if considered necessary. The Council reserves the right to make variations to the investment strategy at any time subject to the approval by Full Council. Any variations will be made available to the public.

10. Freedom of Information

In accordance with the Freedom of Information Act 2000, this document will be posted on the Council's website and a hard copy will be available from Royston Town Council offices.