

Investment Strategy 2022/23

Farnham Town Council acknowledges the importance of prudently investing all funds held on behalf of the community by the Council.

This Strategy complies with the revised requirements set out in the Chartered Institute of Public Finance and Accountancy's Treasury Management in Public Services: Code of Practice and Cross Sectoral Guidance Notes and takes account of the Section 15(1)(a) of the Local Government Act 2003 and follows guidance in the Practitioners' Guide (2016) and MHCLG's Guidance on Local Government Investments. (Revised 2018).

Investment objectives and practice

In accordance with Section 15(1) of the Local Government Act 2003 Act, the Council will have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify.

- The Council's investment priorities are first the security of reserves, second the liquidity of its investments and thirdly the rate of return or yield.
- 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
- Normally investments will be short term with a maturity of 12 months or less.

The Ministry of Housing Communities and Local Government maintains that borrowing of monies purely to invest or to lend and make a return, is unlawful and Farnham Town Council will not engage in such activity.

The Council will monitor the risk of loss on investments by reviewing credit ratings on institutions in which it is investing on a regular basis. The Council will only invest in institutions of high credit quality. Reference will be made in the assessment of credit worthiness to the general economic and political environment in which institutions operate. All significant sources of information will be considered including information from the main credit rating agencies including as appropriate, Fitch or Moody's.

It is recognised that the assessment of risk has changed as a result of the recent economic climate but that the Council should aim for ratings (eg Fitch or equivalent short term F1 – long term rating A- and viability rating A-).

Investments will be spread over different providers where appropriate to minimise risk although it is recognised that the Council is not eligible to receive protection offered by the Financial Services Compensation Scheme. Significant changes in credit ratings will be immediately reported to the Town Council and the Town Clerk/Responsible Financial Officer will take action within delegated powers to protect Town Council assets.

The investment position will be reviewed monthly by senior officers and quarterly by the Strategy and Finance Working Group.

Where external investment managers are used, they will be contractually required to comply with the Strategy.

The Town Council will encourage specific staff training for treasury management appropriate to the Council's circumstances.

The Town Clerk/Responsible Financial Officer is the Council's designated person in investing on behalf of the Council and is authorised to deal with administrative matters and give instructions on behalf of the Council. Any investments created or returned must be linked directly to the Council's current account.

Specified investments

Specified Investments are those offering high security and high liquidity, made in sterling and with a maturity of no more than a year. Such short term investments made with a body or investment scheme of high credit quality (including the UK Government or a local authority or town or parish council) will automatically be Specified Investments. The Council will only invest in institutions with the good credit ratings from approved credit rating organisations.

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 CCLA Public Sector Deposit Fund – a mutual fund investing in appropriately rated institutions
- Institutions permitted by specific legislation (eg the Local Authorities Property Fund managed by CCLA)

Non-specified investments

These investments have greater potential risk – examples include investment in the money market, stock and shares. Given the unpredictability and uncertainties surrounding such investments, the Council will not use this type of investment.

Liquidity of investments

The Town Clerk/Responsible Finance Officer will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.

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.

Long term investments

Long term investments are defined in the Guidance as greater than 36 months.

The Council does not currently hold any long term investments and no long term investments are currently envisaged.

End of year investment report

Investment forecasts for the coming financial year are accounted for when the budget is prepared. At the end of the financial year, the Town Clerk/Responsible Financial Officer will report on income from investment activity to the Strategy and Finance Working Group.

Review and amendment of regulations

The strategy will be reviewed annually and at other times as necessary. The Annual Strategy for the financial year will be prepared by the Town Clerk/Responsible Financial Officer and presented for review at Strategy and Finance Working Group and approval at full Town Council.

Publication

The Investment Strategy will be published and available in hard copy and on the Town Council's website.

Farnham South Street Trust

As Trustee of the Farnham South Street Trust, the Council considers the principles of prudent management of its finances, are of paramount importance. The Council will follow the same principles for the South Street Trust, and the Investment Strategy will be submitted to the South Street Trust for adoption.

The bank account of the South Street Trust is also with HSBC, and investments are with Blackrock.

2022/23 investment plan

HSBC is the Town Council's banker. The majority of funds not required for immediate use are currently invested in HSBC Fixed Rate Interest Moneymarket accounts. Rates may vary from day to day and have generally been reasonably comparable with other providers of similar products. As the Bank of England Base rate has risen, interest rates are gradually increasing. As a result, the balance of funds currently kept in the Call account (instant access) and the Public Sector Deposit Fund will be monitored to see if there is advantage to transferring more to other institutions (in accordance with this strategy) with better rates. Amounts will be invested for up to one year with. During the forthcoming year, the Council will keep under review its banking arrangements and whether a move to another provider is advantageous.

It is considered prudent to plan to spread the financial risk by obtaining facilities at least one other major high street bank or building society with high credit ratings in the year ahead. Currently investments are held with The Cambridge and Counties Bank; HSBC, Nationwide Building Society and CCLA. In addition, the Council invests in the Local Authorities Property Fund, managed by CCLA. Although this is technically not a long term fund, it is envisaged that funds will be invested for a longer period of time in order to recoup the costs of investments. Dividends are repaid to the Council as received in accordance with guidance, any investment in treated as expenditure and recorded in the accounts as such. Any receipt will be treated as income in the year it is repaid.

The Town Council and senior officers will review the position on a regular basis as set out above and take action as appropriate to deal with any change in circumstances.

The Council has not yet agreed to borrow monies in advance of specific spending needs for 2022/23. However, some projects are proposed where this may be considered if the financial benefits are advantageous. If required, borrowing approval would be sought from the Public Works Loan Board (PWLB).

Given the level of funds to be invested and the low level of interest rates it is not anticipated that the use of private sector treasury management advisors would be utilised.

Officers responsible for Treasury Management will receive training from time to time as offered by the National Association of Local Councils and other appropriate bodies.

January 2022