



MONMOUTH TOWN COUNCIL INVESTMENT POLICY

1. INTRODUCTION

1.1 Monmouth Town Council acknowledges the local authority investment powers for any purpose relevant to its functions and the necessity of prudent management of its financial affairs. This power will be used reasonably and in accordance with its primary function to serve the public; to provide public services, promote its wellbeing and care for precept payers' funds.

2. POLICY

2.1 This policy is based on the Welsh Government Statutory Guidance on Local Government Investments which was issued under Section 15 (1) (A) of the Local Government Act 2003 effective for financial years commencing on or after April 1st 2020. Under this section local authorities are required to "have regard" to "such guidance as Welsh Ministers may issue". This policy applies to Town Councils with total investments expected to exceed £250,000 at any time during the financial year. All Town and Community Councils should:

- agree a Capital Strategy before the start of the financial year as a minimum; this can be undertaken as a part of the budget setting process;
- agree appropriate limits for each category of investments it plans to carry out;
- agree a process that effectively monitors the strategy in year, and; ensure that all investments are in Sterling;

2.2 This policy establishes formal objectives, practices and reporting arrangements for the effective management and control of the council's treasury management activities and the associated risks and should be read in conjunction with the council's Financial Regulations.

3. RESERVES POLICY

3.1 The Town Council will only maintain reserves for the following reasons:

3.2 A sum approximately equal to 3-6 months of its Net Revenue Expenditure will be maintained as the General (non-earmarked) Reserve, in accordance with good practice.

3.3 Other Reserves which are earmarked for special purposes or future development, or to meet commitments, will be maintained as necessary.

4. INVESTMENT OBJECTIVES

4.1 The council's investment priorities are:

- the security of its reserves;
- the adequate liquidity of its investments, and
- the return on investment – the council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

4.2 All investments will be made in sterling.

4.3 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.

4.4 The council will monitor the risk of loss on investments by review of credit ratings on a regular basis. The council will only invest in institutions of high credit quality – based on information from credit rating agencies.

4.5 Investments will be spread over different providers where appropriate to minimise risk.

5. SPECIFIED INVESTMENTS

5.1 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 the UK Government, or a local authority, or town or parish council, will automatically be Specified Investments.

5.2 For the prudent management of its treasury balances, maintaining sufficient levels of security and liquidity, Monmouth Town Council will use:

5.3 Deposits with banks, building societies, local authorities or other public authorities and other approved public sector investment funds.

5.4 The choice of institution and length of deposit will be at the approval of the Full Town Council

5.5 The council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

6. NON-SPECIFIED INVESTMENTS

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

7. LIQUIDITY OF INVESTMENTS

7.1 The Finance and Policy Committee, in consultation with the Town Clerk & Responsible Finance Officer, 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 as greater than 12 months. Any investment greater than 12 months will be subject to specific consideration and approval by the Full Town Council.

9. INVESTMENT STRATEGY

9.1 The council will invest as much of its balances as possible in low risk products in order to achieve its investment objectives. The council is mindful of the need to not make the administration of investments too complex, especially when considering the current low rates of return and the administration costs associated with managing multiple accounts and creating new accounts.

9.2 The investments will be split between appropriate bank and building societies and other low risk investment funds as determined by the Finance and Policy Committee and the Full Council.

9.3 If the amount of the precept exceeds 500,000 euros, the investments will be managed by a Treasury Management Company who specialise in such low risk investments.

9.4 The exchange rate will be monitored on a quarterly basis, and if the level of the precept drops below the 500,000 limit, some funds may be transferred into higher yield specified investment, with due regard paid to the extra administration created for officers managing these extra accounts.

10. CAPACITY, SKILLS AND CULTURE

10.1 Monmouth Town Council will ensure that the elected Members and Officers involved in the decision making process have the appropriate capacity, skills and information to:

- enable them to take informed decisions as to whether to enter into a specific investment;
- assess individual assessments in the context of the strategic objectives and risk profile of the local authority; and
- enable them to understand how the quantum of these decisions have changed the overall risk exposure of the local authority.

10.2 The Officer/s appointed to advise on these decisions will be sufficiently qualified as determined through the recruitment, appraisal and professional development process.

10.3 This policy will be reviewed annually and/or if the total amount of investments drops below any specified or regulated level.

Version Control

Version No.	Date	Description	Actioned by	Approved at:
1	21/01/2022	Drawn Up Draft	PH	FP 21.02.22 71/FP/21