



Thatcham Town Council

INVESTMENT STRATEGY 2019-20

1. Introduction

1.1 Thatcham Town Council acknowledges the importance of prudently investing the monies under its control which are held on behalf of the community.

1.2 In accordance with The Local Government Act 2003 local authorities are required to produce an Investment Strategy each year. This strategy complies with the revised requirements set out in Statutory Guidance on Local Government Investments 3rd Edition issued by the Ministry of Housing, Communities and Local Government and updated on 2nd February, 2018.

1.3 In accordance with Section 15(1)(a) of the Local Government Act 2003, 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.

1.4 This strategy should be read in conjunction with the Council's Financial Regulations.

2. Investment Objectives

2.1 The Council's prudential investment objectives for its reserves are:

- security (protecting the capital sum from loss);
- liquidity (keeping the money readily available for expenditure when needed).

2.2 The generation of yield is distinct from these prudential objectives. Once proper levels of security and liquidity have been determined, the Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

2.3 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed.

3. Categories of Investments:

3.1 Specified investments:

- Offer high security and liquidity
- Are made in sterling
- Are not long term (12 months or less)
- Are not defined as capital expenditure
- Investments placed with a body which has a high credit rating or made with the UK Government, a UK Local Authority or a parish or community council are specified investments.

3.2 Non-specified Investments

These are any financial investments that are not a loan and do not meet the criteria to be treated as a specified investment.

4. Investment Strategy 2019-20:

4.1 The Council will not invest in non-specified investments.

4.2 The Council will have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) 2017 Edition "Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes" in managing investments. All significant sources of information about an investment will be scrutinised including information from the main credit rating agencies (Standard and Poor's, Moody's Investors Services Ltd, and Fitch Ratings Ltd. – Appendix A). Reference will be made in the assessment of credit worthiness to the general economic and political environment in which institutions operate. The Council will invest in institutions with a credit rating of upper medium grade and above or assessed as a low credit risk.

4.3 The Council will invest the approved minimum reserve in short term fixed interest investments. Investments will be spread over different providers where appropriate to minimise risk. Sums will not be invested in fixed term deposits for longer than 365 days. The RFO and Town Clerk will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.

4.4 The Council will maintain interest bearing accounts for its residual and working (surplus) balances. Such accounts will include a pooled qualifying money market fund and will be with an approved bank or with an institution regulated by the UK FCA.

5. Borrowing

5.1 Subject to any decision by Council, and approval by the Secretary of State to undertake borrowing, capital expenditure not reimbursed by grant or met from third party contributions or capital receipts will be financed by means of revenue contributions.

6. Forecast:

6.1 Expected levels of external borrowing and investments at the beginning and end of 2019/20 are estimated to be:

	1 st April 2019	31 st March 2020
Short term borrowing	Nil	Nil
Long term borrowing (PWLB)	(1,017)	(976)
Interest bearing fixed term investments	220	220
On call Bank Deposits	75	75
AAA Money Market Funds	500	500
Net Investments/(Borrowings)	(222)	(181)

7. Reporting:

- 7.1 Investment forecasts for the coming financial year were accounted for when the budget was prepared.
- 7.2 During the financial year the Responsible Financial Officer will report on investment activity to the Finance and General Purposes Committee.

8. Review and amendment of regulations:

- 8.1 This strategy will be reviewed annually. The Annual Strategy for the coming financial year will be prepared by the RFO and presented for approval at Full Council.
- 8.2 The Council reserves the right to make variations to the Strategy at any time, subject to the approval of the full Council. Any variations will be made available to the public.

9. Freedom of Information:

- 9.1 In accordance with the Freedom of Information Act 2000, the Council's Investment Strategy will be published on the Town Council's website www.thatchamtowncouncil.gov.uk and is also available as a hard copy from the Town Council Offices.

APPENDIX A – CREDIT RATING TIERS

Moody's		Fitch		Standard and Poor's		Description	Definition
Long-term	Short-term	Long-term	Short-term	Long-term	Short-term		
Aaaa	P-1	AAA	F1+	AAA	A-1+	Prime	An EXTREMELY STRONG capacity to meet its financial commitments
Aa1		AA+		AA+		High grade	A VERY STRONG capacity to meet its financial commitments.
Aa2		AA		AA		Upper medium grade	A STRONG capacity to meet its financial commitments
Aa3		AA-	AA-				
A1		A+	A+				
A2		P-2	A	F1	A	A-1	
A3	A-		F2	A-	A-2		
Baa1	BBB+		F2	BBB+	Lower medium grade	An ADEQUATE capacity to meet its financial commitments	
Baa2	BBB	F3	BBB				
Baa3	BBB-	F3	BBB-				

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