

1. INTRODUCTION

West Mersea Town Council (the Council) acknowledges the importance of prudently investing the temporary surplus funds held on behalf of the community as part of its fiduciary duty. This Strategy complies with the revised requirements set out in the statutory government guidance, Capital Finance: *guidance on local government investments (third edition)* and takes into account Sections 12-15 of the Local Government Act 2003 and guidance within the Smaller Authorities Proper Practices Panel (SAPPP) Practitioner's Guide 2025: Governance and accountability for smaller authorities in England.

The Local Government Act 2003 Section 12, states that a local authority may invest:

- For any purpose relevant to its functions under any enactment, or
- For the purposes of the prudent management of its financial affairs.

The Council defines its treasury management activities as *“the management of the Council’s cash flows, its banking and money market transactions, the effective control of the risks associated with those activities, and the pursuit of best value performance consistent with those risks.”*

2. POLICY

This strategy establishes formal objectives, policies and 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. INVESTMENT OBJECTIVES

3.1. The Council’s investment priorities are:

- the security of its reserves,
- 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.

3.2 All investments will be made in sterling.

3.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) maintains that an authority must not borrow to invest primarily for financial return, and the Council will not engage in such activity.

3.4 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.

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

4. SPECIFIED INVESTMENTS

- 4.1 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.
- 4.2 For the prudent management of its treasury balances, maintaining sufficient levels of security and liquidity, West Mersea Town Council will use:
- Deposits with banks, building societies, local authorities or other public authorities
 - Other approved public sector investment funds.
 - Investment Bonds.
- 4.3 The choice of institution and length of deposit will be at the recommendation of the Finance Committee and approval of full Council.
- 4.4 The Council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

5. NON-SPECIFIED INVESTMENTS

- 5.1 A non-specified investment is any financial investment that is not a loan and does not meet the criteria to be treated as a specified investment. 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.

6. LIQUIDITY OF INVESTMENTS

- 6.1 The Finance Committee in consultation with the Responsible Financial Officer will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.
- 6.2 Investments will be regarded as commencing on the date on which the funds are paid over to the counterparty.

7. LONG TERM INVESTMENTS

- 7.1 Long-term investments are defined in the Guidance as greater than 12 months.
- 7.2 The Council does not currently hold any long-term investments.

- 7.3 All long-term investments would be reported as Assets in the Annual Governance and Accountability Return at Section 2, line 9.

8. RISK ASSESSMENT

- 8.1 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.
- 8.2 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.
- 8.3 The investment position will be reviewed by the Responsible Financial Officer and reported to the Finance Committee or full council if necessary.
- 8.4 The Council does not employ, in-house or externally, any financial advisors but will rely on information which is publicly available.

9. INVESTMENT STRATEGY 2026-27

- 9.1 For 2026-27 the Council will invest as much of its balances as possible in low-risk products in order to achieve its investment objectives and in accordance with 3.1
- 9.2 The investments will be split between:
- Unity Trust Bank Instant Access account
 - Redwood Bank Limited 35 Day Notice Account (Issue 13) – Annual Interest
 - Hampshire Trust Bank 95 Day Notice SME Saver
 - National Savings and Investments Guaranteed Growth Bond

Working capital sums will be held in the Unity Trust current account.

Additional accounts may be opened or investments made, as necessary during the year.

10. END OF YEAR INVESTMENT REPORT

- 10.1 Investment forecasts for the coming financial year will be accounted for when the budget is prepared. At the end of the financial year, the Responsible Financial Officer will report on investment activity to the Finance Committee.

11. REVIEW AND AMENDMENT OF REGULATIONS

- 11.1 The Council's Investment Strategy shall be reviewed annually by the Finance Committee, revise if considered necessary, and make recommendation to full Council.

- 11.2 The Council reserves the right to make variations to the Investment Strategy at any time subject to the approval of full Council. Any variations will be made available to the public.

12. FREEDOM OF INFORMATION

- 12.1 In accordance with the Freedom of Information Act 2000, the Council's Investment Strategy will be published on the Town Council's website <http://www.westmerseatowncouncil.gov.uk> and is also available as hard copy from the Town Council offices.