STRATFORD-UPON-AVON TOWN COUNCIL

Investment Strategy

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1 Introduction

Stratford-upon-Avon Town Council understands the importance of prudent and informed decisions around investing any surplus funds. This investment strategy document sets out the framework within which the Council will manage any investments to ensure funds are secure, managed in alignment with statutory responsibilities and are sustainable.

Statutory Powers and Proper Practices

The Council's treasury management activities are undertaken in accordance with:

- Schedule 1 of the Local Government Act 2003, in relation to capital finance and investments for parish and town councils;
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, which require the Council to have regard to relevant CIPFA publications, including:
- Treasury Management in the Public Services Code of Practice; and
- The Prudential Code for Capital Finance in Local Authorities.

This Investment Strategy is prepared in accordance with the Council's Financial Regulations, particularly FR 12 (Loans and Investments), and shall be read alongside Standing Orders and the Council's Risk Management framework.

2 Reporting, Approval and Amendment

2.1 Approval and Review

The Council shall review and approve the investment strategy annually, via recommendation from the Finance & Audit Committee to full Town Council and in accordance with FR 12.3-6.

2.2 Relationship to the Budget

The annual budget is prepared by the RFO, in consultation with the Town Clerk and Chair of the Finance and Audit Committee. Input is also provided by the Chairs of any other committee that holds a section within the budget. The approved budget and associated financial information will inform investment decisions throughout the year.

2.3 Amendments during the year

The Council reserves the right to vary investments during the year, subject to:

- Compliance with this Strategy and the Financial Regulations; and
- Council or Committee approval where required.

2.4 Reporting to Members

The balances of and any activity within investments will be reported at least quarterly to the Finance and Audit Committee.

3 Investment Objectives

3.1 Priorities

The Council's investment priorities are:

1) Security of Capital – protecting funds from loss
2) Liquidity – ensuring funds are readily available to meet expenditure requirements
3) Yield – ensuring funds are achieving an appropriate return to support the outlined investment priorities

4) To regularly review the balance of the Council's current and reserve accounts, and, at least quarterly, invest any funds held above £200,000 in order to maximise interest income.

3.2 Currency

All investments shall be made in pounds sterling.

4 Policy Framework

4.1 Governance and Controls

All investments:

- shall be made in the name of the Council (FR ??);
- shall be administered by the RFO under the policy direction of the Council (FR ??);
- shall follow the Council's approved banking, authorisation, and payment controls (FR ?? and ??); and
- shall be supported by a clear and auditable evidence trail, with certificates and confirmations retained by the RFO (FR ??).

4.2 Liquidity Requirement

In line with the Council's Financial Regulations, the Council will retain sufficient working capital in current and instant-access accounts to meet operational and cashflow requirements. This level will be reviewed by the RFO based on cashflow forecasting and commitments.

4.3 Specified Investments (Low Risk)

The Council will normally restrict itself to Specified Investments, defined for the purposes of this Strategy as low-risk and highly liquid instruments, including:

A. UK bank deposits

- Instant / easy-access accounts
- Fixed-term deposits up to 12 months with further resolution from Council

B. UK building society deposits

- Instant / easy-access accounts
- Fixed-term deposits up to 12 months with further resolution from Council

These investments are expected to provide a high degree of security and liquidity and are appropriate for the management of short-term surplus cash.

4.4 Fixed Term Deposits

Subject to cashflow forecasting:

- Revenue reserve balances may be placed on deposit for periods of up to one year before review;
- Other surplus funds may also be placed on deposit for periods of up to one year before review.

Maturity dates will be aligned to forecast expenditure and capital programme requirements.

4.5 Yield

The Council will seek the best available income return only after satisfying security and liquidity requirements, and with an absolute requirement to avoid capital loss.

5 Investment Risk Management

5.1 Concentration Limits

No more than 40% of total investments shall be held with any single institution or banking group.

In exceptional circumstances, authorised officers may recommend an increase to 50%, which must be reported to the Finance & Audit Committee with justification.

5.2 Approved Counterparty Categories

Investments may be made only with

a) UK-regulated banks (including clearing banks and PRA/FCA-regulated institutions;

b) UK building societies subject to UK prudential regulation;
c) Non-UK institutions only with prior approval of the Finance & General Purposes Committee and supporting risk assessment;
d) UK Government instruments;
e) UK local authority instruments where legally available.

5.3 Creditworthiness

Where available, external credit ratings will be considered as part of due diligence. However, the absence of a public credit rating shall not automatically exclude a UK-regulated institution. In such cases, the RFO will evidence suitability through regulatory status, institution type, diversification, and internal risk controls.

5.4 Monitoring

Credit standing and counterparty exposure will be reviewed at least six-monthly and more frequently if market conditions require. Where a material deterioration is identified, action will be taken at the earliest appropriate opportunity.

6 Treasury Management Advice and Training

6.1 Treasury Advice

Given the limited and low-risk range of investments used, it is not considered necessary to appoint an external treasury management advisor. Independent research and due diligence undertaken by the RFO are considered adequate.

6.2 Training

Training needs for Members and officers involved in treasury management will be reviewed periodically, in line with good practice.

6.3 Borrowing in Advance of Need

The Council will not borrow more than, or in advance of, its needs purely to profit from the investment of borrowed funds.

7 Investment Strategy Review

7.1 Investment Duration

Due to capital projects and related spending, investments will normally be restricted to maturities of no more than one year. All investments will be continually reviewed and aligned with cashflow forecasts and project requirements.

Longer maturities will only be considered where security is assured and liquidity requirements remain fully met.

8 Non-Specified / Higher Risk Investments

8.1 CCLA Funds – Local Authorities Property Fund

The Council may wish to introduce additional investments as requirements change, enabling funds to be spread more widely (but within reason) in order to minimise overall financial risk.

Consideration may be given to Non-Specified investments, including CCLA funds and investing through a broker, only after full approval by the Finance & General Purposes Committee and following a documented risk assessment in accordance with FR ??.

This type of investment is regarded as long-term in nature. Councillors should have regard to the Council's recommended Investment Strategy, which includes an absolute requirement to avoid capital loss.

The CCLA Local Authorities Property Fund is open only to local authorities. By way of example, the fund reported a dividend yield of 4.4511% as at February 2025. However, such investments are subject to market risk and potential capital volatility.

The Council currently has an investment in this fund, the position of which shall be reviewed in line with this strategy.

Any new long term investment shall only be considered if reserves are deemed sufficient to support it.

8.2 Investment Through a Broker

Investing through a broker may provide access to building society and money market funds not available directly. Brokers provide introductions and administrative support only; they do not hold Council funds, and no fees are charged to the Council.

Minimum investment levels are typically £1 million for money market funds, while some building societies may accept deposits from £500,000. This approach is not considered appropriate in normal circumstances but may be explored should the opportunity arise, subject to Member approval.

8.3 Budget Context for 2025/26

- The 2025/2026 Budget includes forecast interest income of just over £17,000, which may be improved through increased investment activity within this Strategy.
- The budget was set on trend data of interest rates decreasing.

Approving Committee: Finance & Audit Committee / Town Council
Date of Committee meeting: 24 March 2026

Policy Review: Annually or sooner if there are changes in legislation or other relevant matters.