INVESTMENT POLICY & STRATEGY

FAVERSHAM
TOWN COUNCIL

Adopted:	June 2024
Review Date:	October 2025
Next Review Due:	October 2026

Contents

1. Introduction & Scope

This Investment Policy and Strategy has been devised in line with the Statutory Guidance on Local Government Investments (3rd Edition) issued under section 15(1)(a) of the Local Government Act 2003. An investment strategy is required for all investments expected to exceed £100,000 at any time during the financial year.

This investment policy and strategy applies to all investment activities undertaken by the Council.

Faversham Town Council acknowledges its duty to act prudently when investing all funds held on behalf of the community by the Council.

2. Investment Objectives & Principles

The Council aims to invest its surplus reserves in order to maintain the value of these funds in real terms, to support future service delivery.

The Council is required to consider investments in line with the following principles:

a) Security – protection of the investment sum from loss of value and to minimise risk;
b) Liquidity – how quickly the invested funds can be encashed if required;
c) Yield – once principles a) and b) have been determined, the Council can reasonably consider suitable investments to maximise the Council's income.

The Council should consider the appropriate balance between security, liquidity and yield in relation to risk when making any investment decisions and in order to achieve the optimum return on investment.

All investments shall be made in the name of the Council and be deposited in sterling.

The decision to invest funds is delegated to the Policy and Resources Committee.

The choice of institution and length of the deposit shall be decided by the Policy and Resources Committee.

The Council will aim to only invest in institutions with a high credit quality and low credit risk based on information from credit agencies aiming for those with an 'A' rating. The institution's credit rating will be reviewed on a regular basis and at any time that further funds are to be invested.

The Council will consider spreading its investments across a range of financial institutions to minimise risk and safeguard public funds. As a local authority with an annual budget exceeding the FSCS threshold, the Council is not eligible for protection under the Financial Services Compensation Scheme (FSCS).

Consequently, diversification, careful due diligence, and the use of low-risk, well-regulated institutions are essential to reducing exposure to potential financial loss.

Unlike individuals and small organisations, local authorities with budgets over €500,000 are excluded from FSCS protection. This means the Council's deposits are not covered by the standard £85,000 compensation limit in the event of a bank or building society failure.

Should the Council appoint an investment manager or financial advisor, this appointment shall be reviewed every five years. Advisors will be made aware of this policy as well as the regulatory and statutory framework applicable to Councils.

The Council will encourage the financial advisor to consider social, ethical and environmental factors when looking at the various investment options.

All investments will be with financial institutions, banks and building societies registered in the UK.

The Investment Policy & Strategy will be published on the Council's website.

The Council does not currently plan on investing in non-financial assets.

3. Short Term Specified Investments

Short term specified investments are defined as those offering high security and high liquidity, made in sterling and with a maturity of no more than 12 months. Short term investments made with the UK Government or to a local authority or Town/Parish Council will automatically be defined as a specified investment.

For the prudent management of the Council's treasury balances and in order to maintain adequate levels of security and liquidity the Council may choose to invest short term funds with:

- Banks, building societies, local authorities or other public authorities who are all based in the UK;
- Other approved public sector investment funds.

4. Long Term Non-Specified Investments

Non-specified investments are defined as any investments that do not meet the criteria of short term specified investments detailed in section 3. In general, non-specified investments have greater risk potential and include investment in money markets, stocks and shares.

Funds may be invested for periods of more than 12 months. In specifying the length of the investment, the Council's anticipated expenditure requirement over the proposed investment period will be assessed to ensure sufficient funds remain available.

The Council may place investments not required for current expenditure with long term non-specified investments with a maturity period of up to 5 years, at which point the investment objectives should be fully reviewed to determine whether the investment should continue.

The Council will determine the upper limits for the maximum amounts that can be held individually or accumulatively in non-specified investments and will confirm annually that the investments have remained within these limits.

The Council will consider whether to seek the advice of an independent financial advisor prior to making any long term investments, as part of the risk management process.

5. Risk Management & Monitoring

A risk assessment is to be maintained for each investment, as recorded as an appendix to the Council's Financial Risk Assessment document. The assessment should include details of the market appraisals appropriate to the investment type, investment monitoring reports and how the Council will monitor the quality of advice provided by the financial advisor.

Investment performance reports will be provided by the investment institutions and reported to the Policy and Resources Committee in November to allow current / new investments to be reviewed as part of the budgeting process.

The Council will monitor the risk of loss on investments by reviewing credit ratings for the investment institutions at least annually. This will be achieved by asking the institutions to confirm their current credit rating.

The Council will arrange for its members and officers to undertake appropriate training to enable robust monitoring and decision making in regard of its investments and require that clear, understandable monitoring reports are issued as part of the risk management process.

The Town Clerk, as Responsible Financial Officer, is authorised to deal with administrative matters and give instructions on behalf of the Council as necessary to protect the Council's investments.

6. End of Year Investment Report & Governance

At the end of the financial year, the Town Clerk will supply an annual report for each investment to the Policy and Resources Committee.

The Town Clerk is responsible for bringing to the Council's attention any matters which may affect the security of the Council's investments. The Full Council is responsible for agreeing any course of action required to safeguard its investments.

7. Review Process

The Annual Investment Strategy must be reviewed annually by the Policy and Resources Committee, ideally before the start of that financial year, prior to being ratified by Full Council.

Any amendments required to the Investment Strategy must be approved by Full Council prior to implementation. Amendments can be proposed at any time during the year, as required.

8. Investment Strategy 2025/26

The Council agreed at their Full Council meeting on 11th March 2024 to accept Policy and Resources Committee's resolution to make the following investments and bank deposits to be held by the council:

CCLA		
NatWest Current Account		
NatWest 35 Day Saver Account		
Unity Trust		
Nationwide		
Lloyds 32 Day Account	£11,425	2.05%