

## **TREASURY & INVESTMENT POLICY**

### **INTRODUCTION**

Godalming 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. In preparing its investment policy the Council is required under Section 15(1) of the Local Government Act 2003 to have regard to the requirements set in the Department for Communities and Local Government *Statutory Guidance on Local Government Investments* and guidance within *Governance and Accountability for Local Council's Practitioners Guide 2016*.

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

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

The *Statutory Guidance on Local Government Investments* defines an investment as '*all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit*'. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations.

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

The Council defines its non-financial assets held to partially generate a profit as '*all of the buildings where rent or hireage fees are charged*'.

### **TREASURY INVESTMENT OBJECTIVES**

The Council's treasury investment priorities are the security of reserves and liquidity of its investments. The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

All investments will be made in Sterling.

The Department for Communities and Local Government maintains that borrowing of monies purely to invest, or lend and make a return, is unlawful and the Council may not engage in such activity.

## SHORT TERM TREASURY INVESTMENTS

Short term investments are those offering high security and high availability, made in Sterling and maturing within two years.

For the prudent management of its treasury balances whilst maintaining sufficient levels of security and liquidity, the Council will use deposits with banks and building societies, Licensed Deposit Takers (licensed by either the Prudential Regulation Authority or Financial Conduct Authority), UK local authorities and other UK public authorities.

Institutions should meet the required rating at the time of investment.

Required ratings:

Type	Minimum Rating	Definition		
	Fitch	Moody's	S&P	
Short Term investments (maturities of less than one year)	F1	P-1	A2	Strong capacity to meet financial commitments. Low to medium risk. Numeral indicates higher end of rating
Medium Term investments (maturities of up to five years)	AA	AA	AA	Strong capacity to meet Financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances. Low to medium risk.

Of those institutions meeting the required rating at the time of investment, preference should be given to those with strong ethical and sustainable practices.

The Responsible Finance Officer, in consultation with the Chairman of the Audit Committee and Proper Officer, shall have the delegated power to invest in short term investments, with any such investment reported to the next Full Council meeting. The Council is ultimately responsible for its investments.

## NON-SPECIFIED TREASURY INVESTMENT

These investments have greater potential risk – examples include investment in money markets, stocks and shares.

Given the unpredictability and uncertainties surrounding such investments, the Council will not use this type of investment.

## LONG TERM TREASURY INVESTMENTS

Long term treasury investments shall be defined as greater than two years. The Council will use the same criteria for assessing long term investment as for short term investments. Should the Council wish to invest for periods greater than two years, it **must** identify the procedures for monitoring, assessing and mitigating the risk of loss of invested sums before committing to such an investment. The Responsible Finance Officer shall require Full Council approval before entering into any long term investment. The Council is ultimately responsible for its investments.

## **NON-FINANCIAL ASSETS**

The Council's strategy in relation to the buildings it holds for income generation is to undertake regular maintenance to ensure they remain in proper working order, and to accumulate sufficient reserves to enable any major maintenance works to be completed as and when required.

The Council will also ensure that adequate insurance cover is held to mitigate the loss of income should significant damage ever occur.

## **REVIEW AND AMENDMENT**

As recommended under the *Statutory Guidance on Local Government Investments*, this policy will be reviewed annually by the Audit Committee and ratified each year by Full Council.

The Council does not normally employ in-house or external financial advisors but will rely on information which is publically available.

The Council reserves the right to make variations to the Policy at any time, subject to the approval of Full Council. Any variations will be made available to the public.

## **FREEDOM OF INFORMATION**

In accordance with the Freedom of Information Act 2000, this document will be published on the Council's website and a hard copy will be available from the Council's office