



WESTON-SUPER-MARE TOWN COUNCIL

# Investment Strategy

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# Introduction

Weston-super-Mare Town Council acknowledges the importance of prudently investing surplus funds held on behalf of the community. This Strategy sets out how the Council will manage investments to ensure public funds are protected, liquid, and managed in accordance with statutory requirements and proper practice

## 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 14 (Loans and Investments), and shall be read alongside Standing Orders and the Council's Risk Management framework (FR 1 and FR 2).

## 1. Reporting, Approval and Amendment

### 1.1 Approval and Review

The Council shall approve an annual Investment Strategy in accordance with FR 14.3. The Strategy will be reviewed by the Director of Finance and Resources (RFO) and considered annually by the Finance & General Purposes Committee before approval by Full Council.

### 1.2 Relationship to the Budget

The Annual Budget will be prepared by the Director of Finance and Resources and presented for approval to the Finance & General Purposes Committee. The approved budget, reserve levels, and cashflow forecasts will inform investment decisions throughout the year.

### 1.3 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.

### 1.4 Reporting to Members

Fund balances and investment activity will be reported **to the Finance & General Purposes Committee**, with bi-monthly reporting forming the minimum standard.

## 2. Investment Objectives

### 2.1 Priorities

The Council's investment priorities, in order, are:

1. Security of capital – protecting reserves from loss;
2. Liquidity – ensuring funds are available when required to meet expenditure;
3. Yield – achieving a return commensurate with the above priorities.
4. To review the funds held in the Lloyds Bank current account, on a monthly basis, and invest any funds held above £500,000 held in the bank to maximise interest income.

2.2 Currency - All investments shall be made in sterling.

## 3. Policy Framework

### 3.1 Governance and Controls

All investments:

- shall be made in the name of the Council (FR 14.4);
- shall be administered by the RFO under the policy direction of the Council (FR 1.4);
- shall follow the Council's approved banking, authorisation, and payment controls (FR 14.6 and FR 8–10); and
- shall be supported by a clear and auditable evidence trail, with certificates and confirmations retained by the RFO (FR 14.5).

### 3.2 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. This level will be reviewed by the RFO based on cashflow forecasting and commitments.

### 3.3 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.

### 3.4 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.

### 3.5 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.

## 4. Investment Risk Management

### 4.1 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 & General Purposes Committee with justification.

### 4.2 Approved Counterparty Categories

Investments may be made only with:

- a) UK-regulated banks (including UK 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.

### 4.3 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.

### 4.4 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.

## **5. Treasury Management Advice and Training**

### 5.1 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.

### 5.2 Training

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

### 5.3 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.

## **6. Investment Strategy Review**

### 6.1 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.

## **7. Non-Specified / Higher-Risk Investments**

### 7.1 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 2.3.

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 has chosen not to invest in this long-term fund at the present time. This position shall be reviewed periodically, particularly when reserves are deemed sufficient to support a longer-term investment approach.

## 7.2 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.

## 7.3 2025/2026 Budget Context

- The 2025/2026 Budget includes forecast interest income of £20,000, which may be improved through increased investment activity within this Strategy.
- The budget was set on the assumption that the Bank of England base rate would rise.

## Recommendations

Having considered the current Guidance, the Council's cash flow and investment requirements, it is recommended that:

- Members adopt this Investment Strategy.