



INVESTMENT STRATEGY AND TREASURY MANAGEMENT POLICY 2026/27

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This Investment Strategy and Treasury Management Policy was adopted by the council at its meeting held on [date]. It will be reviewed at least annually, and before the start of each financial year, in accordance with the Statutory Guidance on Local Government Investments.

INVESTMENT STRATEGY AND TREASURY MANAGEMENT POLICY 2026/27

1. Introduction

Ashington Town Council (“the Council”) holds public money on behalf of the residents of Ashington. The Council has a duty to manage that money prudently, ensuring that funds are safeguarded, that cash is available when needed to deliver services, and that a reasonable return is obtained on balances which are temporarily surplus to immediate requirements.

The Council’s gross budget for 2026/27 is £1,007,621, funded through the precept, which is received from Northumberland County Council in two instalments (April and September). The Council also maintains a General Reserve (Contingency) and Earmarked Reserves in accordance with its Reserves Policy. The combination of the precept payment profile and the reserves held means the Council routinely holds significant cash balances during the year.

This document sets out how the Council will invest those balances. It serves as both the Council’s Investment Strategy, prepared in accordance with the Statutory Guidance on Local Government Investments, and its Treasury Management Policy. It should be read alongside the Council’s Reserves Policy and Financial Regulations (in particular Regulations 6, 7 and 11).

2. Legislation and guidance

- **Statutory Guidance on Local Government Investments (3rd Edition, 2018)** – the Statutory Guidance issued by the Ministry of Housing, Communities and Local Government applies to parish and town councils where investments exceed £100,000 at any time during the financial year. As the Council expects to exceed this threshold, it must prepare an Investment Strategy, approved by Full Council prior to the start of each financial year (or as soon as practicable following any material change).
- **Local Government Act 1972** – Section 111 supports the Council’s ability to manage its financial affairs, and the Council’s eligibility for the General Power of Competence under the Localism Act 2011 provides the power to invest prudently in support of its functions.
- **The Practitioners’ Guide 2026/27** – Governance and Accountability for Smaller Authorities in England, issued by the Smaller Authorities’ Proper Practices Panel (SAPPP), sets out proper practices with which the Council must comply, including in relation to the safeguarding of public money.
- **The Council’s Financial Regulations** – Regulation 11.3 requires the Council to consider the requirement for an Investment Strategy and Policy in accordance with the Statutory Guidance, and to review any such Strategy at least annually. Regulation 11.4 requires all investments to be held in the name of the Council.

3. Investment objectives

The Council’s investment priorities, in order of importance, are:

- **SECURITY** – the security of the sums invested (protecting capital from loss);
- **LIQUIDITY** – ensuring cash is available when required to meet the Council’s commitments; and
- **YIELD** – obtaining a reasonable rate of return, but only once security and liquidity have been satisfied.

The Council will not invest for the primary purpose of financial return (“investing to make a profit”), nor will it borrow in order to invest. The Council invests solely because it holds cash balances arising from its reserves and the timing of its income and expenditure.

4. Specified and non-specified investments

The Statutory Guidance distinguishes between “specified investments” (sterling denominated, maturing within 12 months, and placed with the UK Government, a local authority, or a body/investment scheme of high credit quality) and “non-specified investments” (all others, including long-term and higher-risk instruments).

The Council will hold **specified investments only**. The Council will not hold any non-specified investments, will not invest in equities, property, cryptocurrency or derivatives, will not lend to third parties, and will not invest in instruments denominated in currencies other than sterling.

5. Approved instruments and counterparties

The Council authorises the use of the following instruments only. Any addition to this list requires a resolution of Full Council and an amendment to this Strategy.

Instrument	Purpose and criteria	Limit
Current account – Unity Trust Bank plc	The Council’s operational banking, used for receipts and payments. Balances are held at the minimum consistent with operational need (see Section 6).	Target operational float of £120,000; balances should not routinely exceed £250,000 other than on receipt of a precept instalment, pending transfer.
The Public Sector Deposit Fund (PSDF), managed by CCLA Investment Management Limited	A short-term, low volatility net asset value (LVNAV) Qualifying Money Market Fund under the UK MMFR, rated AA+mmf by Fitch Ratings, providing same-day access (11:30am instruction cut-off). Used to hold the Council’s reserves and cash balances surplus to the operational float.	Maximum holding of £1,250,000.
Fixed-term deposits with UK banks and building societies	Not currently in use. Any future use is subject to a report to the Finance and General Services Committee, a resolution of Full Council, a minimum short-term credit rating of F1 (Fitch) or equivalent, and a maximum term of 12 months.	To be determined by Full Council prior to first use.

All accounts and investments shall be held in the name of Ashington Town Council. All documentation relating to investments shall be retained in the custody of the Executive Officer/RFO (Financial Regulation 11.5).

6. Liquidity management

The Council’s liquidity/cashflow is underpinned by the same-day access terms of the PSDF. Instructions placed before the 11:30am cut-off are settled the same working day.

- **The Council will maintain a target operational float of £120,000** into the Unity Trust current account to meet day-to-day payments. This equates to approximately six weeks’ average expenditure.
- **Sweep arrangements** – the Executive Officer/RFO shall review the current account balance at least fortnightly and shall transfer funds from the PSDF to restore the float, or transfer surplus balances to the PSDF, as required.

- **Precept receipts** – on receipt of each precept instalment, the Executive Officer/RFO shall transfer to the PSDF the amount by which the current account balance exceeds the following month's forecast requirements plus the target float.
- **Earmarked Reserves** – expenditure funded from Earmarked Reserves (including capital projects) shall be drawn down from the PSDF as invoices fall due. The same-day access terms of the fund mean earmarked balances remain available for their intended purposes at all times.

Because payroll is administered by Northumberland County Council and settled by invoice, the Council retains control over the timing of its largest regular payment, further reducing liquidity risk. No investment shall be made which would leave the Council unable to meet a known commitment.

7. Credit risk and investor protection

The Council notes the following in relation to the security of its funds, and considers it important that members understand the position transparently:

- **Bank deposits** – The Council is not eligible for Financial Services Compensation Scheme (FSCS) deposit protection on its bank deposits. FSCS deposit protection for local authorities is restricted to 'small local authorities', defined as those with an annual budget of up to €500,000 (approximately £356,000, recalculated annually). The Council's budget of £1,007,621 is almost three times this threshold. Money held in the Council's bank account is therefore an unsecured exposure to a single institution.
- **The PSDF** – The PSDF is not covered by FSCS deposit protection and is not a guaranteed investment; the risk of loss is borne by the investor. However, the fund is rated AAmmf by Fitch Ratings (the highest money market fund rating), invests only in a diversified portfolio of high-quality, sterling denominated deposits and instruments with well-rated counterparties, and is managed with the priorities of security, liquidity and yield. The fund's assets are held by an independent depositary (HSBC Bank plc) and are segregated from the assets of CCLA; they could not be combined with CCLA's assets in the event of CCLA's insolvency. FSCS investor protection may apply in respect of eligible claims arising from negligence or error by CCLA as manager.
- **Relative risk** – The Council's assessment is that a diversified, AAmmf-rated qualifying money market fund designed for the public sector represents lower credit risk than concentrating the equivalent balance with a single banking counterparty, while providing equivalent (same-day) liquidity.

The Council will keep the credit rating of the PSDF under review. Should the fund's rating be downgraded below AAmmf, or should the fund suspend redemptions, impose liquidity fees or move from its Low Volatility Net Asset Value (LVNAV) structure, the Executive Officer/RFO shall report to the Finance and General Services Committee at the earliest opportunity with recommendations.

8. Limits and indicators

Indicator	Limit / target 2026/27
Maximum holding in the PSDF	£1,250,000
Target operational float (Unity Trust current account)	£120,000
Maximum routine current account balance (other than on receipt of precept, pending transfer)	£250,000

Maximum investment term	12 months (instant access only, unless Full Council resolves otherwise)
Minimum credit quality	AAAmmf (money market funds); F1 short-term rating or equivalent (any future bank deposits)
Non-specified investments	Nil – not permitted
Borrowing in advance of need/borrowing to invest	Not permitted

9. Delegation, authorisation and reporting

- **The Executive Officer/RFO** shall administer this Strategy on a day-to-day basis, including instructing transfers between the Council's Unity Trust account and the PSDF in accordance with Section 6 and the Council's Financial Regulations.
- **Transfers** between accounts held in the name of the Council are permitted without a monetary limit, subject to the dual authorisation controls set out in Financial Regulations 6 and 7, and provided that a list of all such transfers is reported to the next meeting of the Finance and General Services Committee.
- **The Finance and General Services Committee** shall receive, at least quarterly, a report setting out the balances held in each account and investment, transfers made in the period, interest earned, and confirmation of compliance with the limits in Section 8. This shall be incorporated within the quarterly bank reconciliation reporting required under Financial Regulation 2.6.
- **Full Council** shall approve this Strategy, and any material amendment to it, prior to the start of each financial year or as soon as practicable following a material change. Decisions on borrowing may not be delegated (Financial Regulation 1.6).

Interest earned shall be credited to the Council's general funds and taken into account in the annual budget-setting process, unless the Council resolves to allocate it to an Earmarked Reserve.

10. Capacity, skills and advice

The Statutory Guidance requires authorities to state how they ensure that those making investment decisions have appropriate capacity and skills. Day-to-day treasury decisions are made by the Executive Officer/RFO, a qualified and experienced officer of the Council who maintains professional development through the Society of Local Council Clerks (SLCC). Members receive reports in plain English setting out the risks and rationale of investment decisions before approving them. The Council will obtain external professional advice where the complexity of a proposed investment warrants it, and will not invest in any instrument that members and officers do not fully understand.

11. Review

This Strategy shall be reviewed by Full Council at least annually, before the start of each financial year, and following any material change in the Council's financial circumstances, banking arrangements or relevant legislation and guidance. The Executive Officer/RFO shall advise the Council of any need for amendment in the interim.