Ross-on-Wye Town Council

Annual Investment Strategy

1. Overview

This document gives guidance on borrowing and investments by Ross-on-Wye Town Council in accordance with section 15(1)(a) of the Local Government Act 2003. It highlights that the Council is committed to Treasury Management to ensure that:

- Capital expenditure plans are affordable
- All external borrowing and other long-term liabilities are within prudent and sustainable levels, and
- Treasury Management decisions are taken in accordance with good professional practice

The definition of an investment covers all of the financial assets as well as other non-financial assets that the Town Council holds primarily to generate financial returns, such as investment property portfolios.

The Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice defines Treasury Management as:

'The management of the Council's cashflows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks'.

2. Policy

This Strategy establishes formal objectives, policies and practices and reporting arrangements for the effective management and control of the Council's treasury management activities and the associated risks and should be read in conjunction with the Council's Financial Regulations.

3. Investment Strategy

3.1. Introduction

The Council acknowledges the importance of prudently investing the temporarily surplus funds held on behalf of the community.

This Strategy complies with the ~~revised~~ requirements set out in the Statutory Guidance on Local Government Investments issued by the Department for Levelling Up, Housing and Communities and takes account of the CIPFA Treasury Management in Public Services: Code of Practice and Cross Sectoral Guidance Notes, section 15(1)(a) of the Local Government Act 2003 in addition to guidance within Governance and Accountability for Local Councils Practitioners Guide 2022.

3.2. Investment Objectives

In accordance with the Act, the Council will have regard to

- such guidance as the Secretary of State may issue, and
- other guidance as the Secretary of State may by regulations specify.

The Council's investment priorities are the security of reserves (protecting the capital sum from loss) and the liquidity of its investments (keeping the money readily available for expenditure when needed).

The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. Once this has been determined it will then be reasonable to consider a third objective, what level of yield can be obtained consistent with the first two objectives.

This widely used recognised investment strategy is sometimes more informally and memorably expressed with the acronym SLY.

- Security………Liquidity……...Yield

These objectives are the principles upon which decisions about investment priorities will be made.

All investments will be made in sterling.

The Department for Levelling Up, Housing and Communities maintains that borrowing of monies purely to invest, or to lend and make a return, is unlawful and this Council will not engage in such activity.

Where external investment managers are used, they will be contractually required to comply with the Strategy.

Local councils with an annual budget of less than 500,000 euros are covered by the Financial Services Compensation Scheme (FSCS). The limit of cover is £85,000. The Council will check directly with the FSCS, if applicable, to make sure that a particular course of action is covered, and this will be a material consideration in the decision-making process.

The Council will endeavour to spread its investments in such a way to reduce exposure to this limit as and when appropriate.

The Council will monitor the risk of loss on investments by review of credit ratings on a regular basis. The Council will only invest in institutions of high credit quality (e.g. Triple A Rated), based on information from one of the following companies ;

- Standard and Poor
- Moody's Investors Service ltd
- Fitch Ratings Ltd

3.3. Financial Investments

Financial investments can fall into one of three categories;

Specified Investments

Specified investments are those offering high security and high liquidity made in sterling and with a maturing of no more than a year. Such short-term investments made with the UK Government or a local authority or town or parish council will automatically be Specified Investments.

For the prudent management of its treasury balances, maintaining sufficient levels of security and liquidity, Ross-on-Wye Town Council will use:

- Deposits with banks, building societies, local authorities or other public authorities
- The debt management agency of HM Government

The choice of institution and length of deposit will be at the discretion of the Finance & Property Sub-Committee in consultation with the Responsible Financial Officer (RFO).

Current investment is with Santander with two interest bearing accounts at a variable rate.

Loans

A local authority may choose to make loans to local enterprises as part of a wider strategy for local economic growth even though those loans may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity.

Local authorities can make such loans whilst continuing to have regard to the guidance issued under section 15(1)(a) of the Local Government Act 2003, if they can demonstrate that

- total financial exposure to these types of loans is proportionate
- they have used an unexpected loss model to assess the impact on their balanced budget requirements if the capital loaned is at risk
- they have appropriate credit control arrangements to recover overdue repayment in place
- they have a formal agreement for the total level of loans by type that they are willing to make, and the total loan book is within the self-assessed limit

Non-Specified Investments

A non-specified investment is any financial investment that is not a loan and does not meet the criteria to be treated as a specified investment.

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

Given the unpredictability and uncertainties surrounding such investments, Ross-on-Wye Town Council will not use this type of investment.

3.4. Liquidity of Investments

The RFO will recommend the maximum periods for which funds may prudently be committed so as not to compromise liquidity.

Investments will be regarded as commencing on the date the commitment to invest is entered into, rather than the date on which the funds are paid over to the investor.

3.5. Long Term Investments

Long term investments are defined in the Guidance as greater than 36 months.

There is a possibility the Town Council might consider entering into long term investments providing that a three-year full costed and budgeted plan has been drawn up.

3.6. End of Year Investment Report

Investment forecasts for the coming financial year are accounted for when the budget is prepared. At the end of the financial year, the RFO will report on investment activity to the Finance & Property Sub-Committee.

4. External Borrowing Strategy

The Council acknowledges the implications of borrowing funds and the financial impact on the Council and therefore takes this into consideration before indebting the community.

5. Review and Amendment of Regulations

The Investment Strategy will be reviewed by the Finance & Property Sub-Committee annually with any material changes being referred to the Management Committee for approval.

6. Freedom of Information

In accordance with the Freedom of Information Act 2000 the Council's Investment Strategy will be published on its website www.rosstc-herefordshire.gov.uk

Adopted by Full Council, July 2017
Reviewed by the Finance & Property Sub-Committee February 2024