

WOTTON-UNDER-EDGE TOWN COUNCIL

INVESTMENT STRATEGY 2019-2020

Adopted Dec 18, next review Dec 20

(Review section 8 Dec 19)



1. INTRODUCTION

Wotton-under-Edge 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. This Strategy complies with the revised requirements set out in the *Statutory Guidance on Local Government Investments (3rd Edition)* (the Guidance) and takes into account Section 15(1)(a) of the Local Government Act 2003 and guidance within Governance and Accountability for Local Councils *Practitioner's Guide 2018*.

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

2. POLICY

2.1. 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 OBJECTIVES

3.1. The Council’s investment priorities are:

- the security of its reserves, and
- the adequate liquidity of its investments, and
- the return on investment – the Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

3.2 All investments will be made in sterling.

3.3 The Guidance maintains the borrowing of money purely to invest or to lend and make a return is unlawful and the Council will not engage in such activity.

3.4 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– based on information from the credit rating agencies.

3.5 Investments will be spread over different providers where appropriate to minimise risk.

4. SPECIFIED INVESTMENTS

4.1 Specified investments are those offering high security and high liquidity, made in sterling and with a maturity 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 as will those with bodies or

investment schemes of "high credit quality", including those with a high credit rating, as rated by the credit rating agencies¹.

4.2 For the prudent management of its treasury balances, maintaining sufficient levels of security and liquidity, Wotton-under-Edge Town Council will use:

- Deposits with banks, building societies, local authorities or other public authorities
- Other approved public sector investment funds.

4.3 The choice of institution and deposit arrangements for Specified Investments shall be delegated to the Town Clerk in accordance with the requirements of Section 6.

4.4 The Council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

5. NON SPECIFIED INVESTMENTS

5.1 These investments have greater potential risk – examples include investment in the money market, stocks and shares. Any proposed Non-specified Investment shall be approved by the Town Council, having due regard to risk, liquidity and yield as set out in this strategy.

6. LIQUIDITY OF INVESTMENTS

6.1 Subject to retaining no less than three months' average working capital requirement in current and deposit accounts giving immediate access, the Town Clerk, as the Council's Responsible Financial Officer, will determine the amounts and maximum period for which funds may be prudently invested, in Specified Investments, so as not to compromise liquidity.

6.2 The placement in Specified Investments of surplus funds shall be delegated to the Town Clerk, as the Responsible Financial Officer, such delegated authority to be confirmed at the Annual Council Meeting each year.

6.3 Credit Ratings will be monitored at quarterly intervals. If the credit rating falls during that period, the Town Clerk, in consultation with the Chairman of Finance & Special Purposes Committee, will decide on the appropriate action.

7. LONG TERM INVESTMENTS

7.1 Long term investments are defined in the Guidance as greater than 12 months.

7.2 The Council has held M&G Shares, Dividend Fund, Sterling Class A Income Shares since 1985.

8. INVESTMENT PLAN 2019-20

8.1 For 2019-20 the Council will invest as much of its balances as possible in low risk products in order to achieve its investment objectives.

8.2 The Specified Investments will be:

- Barclays Business Current Account. Balance as at 30/10/2018 was £211,500. Yield on account is zero but account loyalty reward scheme generated £32.27 in 2017/18.
- Barclays Business Active Savers Account. Balance as at 30/10/2018 was £257,456. Yield on account was 0.3% for 2017/18 which gave £490.91 interest.

¹ A credit rating agency is defined in the guidance as one of the following three companies: Standard and Poor's; Moody's Investors Service Ltd; Fitch Ratings Ltd.

8.3 The Non-Specified Investments will be:

- M&G Shares, Dividend Fund, Sterling Class A Income Shares. 108400 shares with a value on 31/3/18 of £62,937. Fund has 5% yield. Interest received in 2017/8 was £3194.76. [*Designation TBD – may be a specified investment if high credit quality – await credit quality investigations*]

9. END OF YEAR INVESTMENT REPORT

9.1 Investment forecasts for the coming financial year were accounted for when the budget was prepared. At the end of the financial year, the Responsible Finance Officer will report on investment activity to the Council.

10. REVIEW AND AMENDMENT OF REGULATIONS

10.1 This Investment Strategy will be reviewed every two years or as necessary due to legislative change. The Investment Plan (Section 8) will be reviewed each year and updated as necessary.

10.2 The Council reserves the right to make variations to the Investment Strategy at any time subject to the approval of Council. Any variations will be made available to the public.

11. FREEDOM OF INFORMATION

11.1 In accordance with the Freedom of Information Act 2000, the Council's Investment Strategy will be published on the Town Council's website www.Wotton-under-Edge.com and is also available as hard copy from the Council Offices, Civic Centre, 2 Gloucester Street, Wotton-under-Edge, Glos, GL12 7DE. Tel: 01453 843210.