

## Shrewsbury Town Council



## ANNUAL INVESTMENT STRATEGY 2018/19 &amp; 2019/20

## 1 INTRODUCTION

- 1.1 Shrewsbury Town Council (the Council) acknowledges the importance of prudently investing the surplus funds held on behalf of the community.
- 1.2 This Strategy complies with the requirements set out in:
  - The Ministry for Housing, Communities and Local Government *Guidance on Local Government Investments*
  - Section 15(1)(a) of the Local Government Act 2003
  - Guidance within Governance and Accountability for Local Councils *Practitioners Guide*
- 1.3 The definition of an investment covers 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; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations.
- 1.4 The Council currently has £7.43m of investments, as detailed in Appendix A

## 2 INVESTMENT OBJECTIVES

- 2.1 In accordance with Section 15(1) of the 2003 Act, the Council will have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify.

- 2.2 The Council's objectives when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The Council will therefore aim to achieve the optimum return on its investments with appropriate levels of security and liquidity.
- 2.3 The Council investment priorities therefore are, in order of importance:
- The **security** of its reserves
  - The adequate **liquidity** of its investments
  - The **return** (yield) on investments
- 2.4 All investments will be made in sterling.
- 2.5 The Department for Communities and Local Government maintains that borrowing of monies purely to invest, or to lend and made a return, is unlawful and this Council will not engage in such activity.
- 2.6 Investments in pooled funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term money market funds offering same –day liquidity and very low or now volatility provide an alternative to instant access bank accounts.
- 2.7 Where external investment managers are used, they will be contractually required to comply with this Strategy.

### 3 SPECIFIED INVESTMENTS

- 3.1 Specified Investment 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 parish council will automatically be Specified Investments.
- 3.2 For the prudent management of its treasury balances, maintaining sufficient levels of security and liquidity, the Council will place deposits with banks, building societies, local authorities or other public authorities.
- 3.3 The Council's current investment are:
- National Westminster Bank PLC – Day to day accounts
  - Lloyds Bank PLC – Fixed Term Deposits
  - CCLA – The Public sector Deposit Fund(pooled)

## 4 NON-SPECIFIED INVESTMENTS

- 4.1 Any investment not meeting the definition of a specified investment is classed as non-specified.
- 4.2 Non-specified investments will therefore be limited to long-term investments ie those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies or schemes not meeting the definition on high credit quality. These investments have greater potential risk – examples include investment in the money market, stock and shares.
- 4.3 Capital growth of the fund should be considered and equal to RPI whilst being consistent with other priorities
- 4.4 The Council's exposure to this type of investment is:
  - CCLA – The Local Authorities Property Fund (pooled)

## 5 NON-FINANCIAL INVESTMENTS

- 5.1 As defined in 1.3 of this strategy, non-financial investments are held by the authority to generate a profit. It will normally have a physical asset that can be realised to recoup the capital invested.
- 5.2 The Council will consider whether the asset retains sufficient value to provide security of investment using the fair value model in *IAS40: Investment Property* as adapted by proper practices.
- 5.3 The Council currently owns the following investment properties:
  - 128 Frankwell
  - 129/130 Frankwell
  - 8 Henry Close

## 6 LIQUIDITY OF INVESTMENTS

- 6.1 The Responsible Finance Officer using cash flow forecasts, will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity and borrow on unfavorable terms to meet financial commitments.
- 6.2 Investments will be regarded as commencing on the date the commitment to invest is entered onto, rather than the date on which the funds are paid over to the counterparty.

## 7 END OF YEAR INVESTMENT REPORT

- 7.1 Investment forecasts for the coming financial year are accounted for when budgets are prepared.
- 7.2 At the end of the financial year the Responsible Financial Officer shall report on investment activity to the Finance and General Purposes Committee.

## 8 REVIEW AND AMENDMENT OF REGULATIONS

- 8.1 This strategy will be reviewed annually.
- 8.2 The Annual Strategy for the coming financial year will be prepared by the Responsible Financial Officer and presented for approval at a Finance and General Purposes Committee Meeting.
- 8.3 The Council reserves the right to make variations to the Strategy at any time, subject to the approval of the Finance and General Purposes Committee. Any variations will be made available to the public.

## 9 TREASURY MANAGEMENT ADVICE

- 9.1 Treasury Management advice would typically come from either:
  - The principal local authority
  - Treasury management advisory firms who specialise in local authority and local town & parish councils
  - Other local independent financial advisors with expertise in advising business and individuals with significant cash sums to manage and invest
- 9.2 The Council does not currently have external management advisors. This will be reviewed during the year to consider appointing advisors to invest future funds received and advise on investment limits to be set for different classes and any other criteria to meet the objectives

## APPENDIX A – Statement of existing position at 31 January 2019

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### Specified Investments

- NatWest Bank PLC – Day to day accounts 600,000
- Lloyds Bank PLC – Various Fixed term deposits <12months 4,200,000
- CCLA – The Public Sector Deposit Fund 1,000,000

### Non-specified Investments

- CCLA – The Local Authorities Property Fund (pooled funds) 1,040,000

### Non-financial Investments

- Investment Properties 590,500