

Document 2.3A

**TREASURY MANAGEMENT & INVESTMENT
STRATEGY 2017-18**

Adopted 27 March 2017

Review by March 2018

1 Executive Summary

- 1.1 In accordance with The Local Government Act 2003 local authorities are required to produce an Annual Investment Strategy each year.
- 1.2 This document covers potential levels of borrowing and investments.
- 1.3 The Council will maintain interest bearing accounts for its surplus resources, but may from time to time invest in short term fixed interest investments. Where these investments are invested outside the Council's approved banks (currently HSBC Bank) these will not exceed 50% of the surplus and will be with institutions approved by the Finance Policy and Administration Committee (FP&A). Any investment outside the Council's approved banks will only be undertaken with the approval of the FP&A Committee. These will be specified investments with a low risk profile and where the capital investment is protected (e.g. sterling deposits of no more than one year with bodies or institutions with high credit ratings).

2 Background

- 2.1 Executive decisions on borrowing, investment and financing are delegated to the Town Clerk and Finance Manager in consultation with the Chairman of the Finance Policy and Administration Committee, being reported to the FP&A Committee at the earliest opportunity.
- 2.2 The Local Government Act 2003 introduced a new prudential capital finance system from 1 April 2004. For Borrowing Approval Local Councils are required to seek consent from the Secretary of State at the Department for Communities and Local Government.
- 2.3 Section 12 of the Local Government Act 2003 gives a local authority power to invest for "*any purpose relevant to its functions under any enactment, or for the purpose of the prudent management of its financial affairs*". The reference to the "*prudent management of its financial affairs*" is included to cover investments which are not linked to identifiable statutory functions but are simply made in the course of treasury management.
- 2.4 Under Section 15 of the Local Government Act 2003 local authorities are required to take note of guidance on investments issued by the Secretary of State.
The general policy objective is that local authorities should invest prudently the surplus funds held on behalf of their communities and that priority should be given to security and liquidity, rather than yield.
- 2.5 Section 23 of the Local Government Act 2003 gives guidance to local authorities on Local Government Investments. A local authority, before the start of each financial year, shall draw up an Annual Investment Strategy, which will distinguish between specified investments (*those offering high liquidity and high security*) and non-specified investments, which involve

greater risks, for the following financial year.

- 2.6 The Annual Strategy and any variations are to be approved by Council and to be made available to the public.

3 Treasury Management

- 3.1 Subject to any decision by Council, and approval by the Secretary of State to undertake borrowing, capital expenditure not reimbursed by grant or met from third party contributions, will be financed by means of revenue contributions.

- 3.2 Any surplus Council funds will be aggregated for Treasury Management purposes to minimise external borrowing and investment. Given the current level of balances it is not anticipated that any additional external borrowing will be required during this year.

- 3.3 Levels of external borrowing and investments at the beginning and end of 2016/17 are estimated to be:

	<u>1 April 2017</u>	<u>31 March 2018</u>
	£'000	£'000
Short term borrowing	NIL	NIL
Long term borrowing (PWLB)	NIL	NIL
Interest bearing Bank Deposits	800	600
Short term Investments	<u>500</u>	<u>500</u>
Net investments	<u>1,300</u>	<u>1,100</u>

- 3.4 There are no proposals for the Council to invest sums for periods longer than 365 days.

- 3.5 Borrowing and investments will only be affected with banks, building societies, other local authorities and the National Debt Office (formerly PWLB). Only institutions and bodies meeting the criteria laid out in section 5 will be considered.

4 Security Of Investments

- 4.1 Government guidance differentiates between specified investments and non-specified investments.

- 4.2 Specified investments are those offering high security and high liquidity with a maturity of no more than a year. In addition, short-term sterling investments must be with bodies/institutions with a credit rating of AA- or higher from at least 2 of the top 3 agencies comprising Moody's, Standard and Poor's and Fitch.

- 4.3 Non-specified investments are usually for longer periods (i.e. more than one year) and with bodies that are not highly credit-rated. No non-specified investments are included in the Investment Strategy for this Council as these investments are not acceptable due to their higher potential risk.

5 Investment Strategy 2017/18

- 5.1 The Council will ensure that as a minimum surplus funds will be aggregated in an interest bearing bank account. Accounts should be held in an approved bank, currently The HSBC Bank.
- 5.2 The Council will only invest in Specified Investments i.e. in sterling investments of no more than one year with investment bodies or institutions with high-credit ratings. These investments will only be put in place when surplus funds are of sufficient size to make such investments practical. The Town Clerk and Finance Manager in consultation with the Chairman of the FP&A Committee will evaluate the surplus funds available and interest rates available periodically to decide if a specified investment is practical.
- 5.3 Before specified investments outside the Council's bank are effected a risk assessment should be undertaken for any Bank or Building Society and the credit rating checked by referring to Fitch, Moody's or Standard and Poor's credit ratings before being added to the list of approved institutions.
- 5.4 The Council's will only invest in U.K. Banks or Building Societies with an investment grade long term rating from at least 2 rating agencies from Standard and Poors, Moody's and Fitch.
- No more than 50% of the Council's surplus funds maybe invested as specified investments outside of the Council's approved main banks.
- 5.5 The Council will have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) publication "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes" in managing any investments.