



FELIXSTOWE TOWN COUNCIL

Annual Investment Policy & Strategy 2018/19

1 Introduction

- 1.1 Felixstowe Town Council acknowledges the importance of prudently investing the temporarily surplus funds held on behalf of the community.
- 1.2 In preparing its investment strategy the Council is required under Section 15(1) of the Local Government Act 2003 to have regard to such Guidance as the Secretary of State may issue.
- 1.3 The current statutory Community and Local Government (CLG) Investments Guidance Note came into force on 1 April 2010 and is appended to this document.
- 1.4 The Guidance Note makes distinction between investments that are:
 - a) high security and high liquidity (specified investments); and,
 - b) those with potentially greater risks and lower liquidity (non-specified investments)
- 1.5 A 'Specified Investment' is one which is made in sterling, is not long term (less than 12 months) not defined as capital expenditure and is placed with a body which has a high credit rating or made with the UK Government, a UK Local Authority or a parish or community council. Any other type of investment is considered 'Non Specified Investment' to which there can be greater risk and where professional investment advice might be required.
- 1.6 This strategy is prepared with regard to the appended guidance and in accordance with Council's Financial Regulations where it relates to Loans & Investments and Risk Management.

2 Investment Objectives

- 2.1 Felixstowe Town Council's priorities will be centred on the security of reserves (protecting the capital sum from loss) and then liquidity of its investments (keeping the money readily available for expenditure when needed).
- 2.2 All investments will be made in Sterling.
- 2.3 The Department for Communities and Local Government 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.
- 2.4 If external investment managers are used, they will be contractually required to comply with the policy.

3 Specified Investments

3.1 Specified Investments are, by definition in the Guidance note, 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 to Town/Parish Council will automatically be Specified Investments, as will those with bodies or investment schemes of "high credit quality¹".

3.2 For the prudent management of its treasury balances, maintaining sufficient levels of security and liquidity, the Council will use:

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

Felixstowe Town Council currently holds investments with Nationwide Building Society (one-year fixed investment maturing in June 2018), Barclays Base Rate Reward Account (Deposit – instant access with loss of one month's interest), Barclays Business Tracker (instant access) and Barclays Business Current Account (instant access).

4 Non-Specified Investments

4.1 These investments have greater potential risk - examples include investment in the money market, subordinated bonds from banks, permanent interest-bearing shares from building societies and corporate stocks and shares.

Given the unpredictability and uncertainties surrounding such investments, the Council will not use this type of investment.

5 Liquidity of Investments

5.1 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 accordance with paragraph 3 above, so as not to compromise liquidity.

5.2 The placement 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.

5.3 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 & General Purposes Committee, will decide on the appropriate action.

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.

6 Long-term Investments

- 6.1 Long term investments are defined in the Guidance note as greater than 12 months and it requires that, should any Council wish to invest for periods greater than 12 months, it must identify the procedures for monitoring, assessing and mitigating the risk of loss of invested sums.

The Council does not currently hold any funds in long term investments. No long term investments are envisaged during the financial year 2018/19.

7 End of Year Report

- 7.1 Investment forecasts for the coming financial year were accounted for when budget was prepared. At the end of the financial year, the Town Clerk will report on investment activity to the Finance and General Purposes Committee.

8 Review of this Strategy

- 8.1 The Investment Strategy shall be reviewed annually by the Finance & General Purposes Committee, and approved by full Council before the commencement of a new financial year.
- 8.2 Council shall be able to amend or make variations to the Strategy at any time.

9 Alternative Formats

- 9.1 If you require this document in another formats please contact the Council on 01394 282086 or email enquiries@felixstowe.gov.uk.

10 Freedom Of Information

- 10.1 In accordance with the Freedom of Information Act 2000, this Document will be published on the Council's Website www.felixstowe.gov.uk and is also available by contacting Felixstowe Town Council, Town Hall, Undercliff Road West, Felixstowe, IP11 2AG. Telephone: 01394 282086 or email: enquiries@felixstowe.gov.uk

Policy Approved: 14 March 2018

Review Body: Finance & General Purposes Committee recommendation to Council

Review Period: Annually

Next Review: F&GP (January 2019) / Council (March 2019)

GUIDANCE ON LOCAL GOVERNMENT INVESTMENTS

Issued under section 15(1)(a) of the *Local Government Act 2003*
and effective from 1 April 2010

(1) POWER UNDER WHICH THE GUIDANCE IS ISSUED

1.1 The following guidance is issued by the Secretary of State under section 15(1)(a) of the *Local Government Act 2003*.

(2) DEFINITIONS OF TERMS

2.1. In this guidance, **2003 Act** means the *Local Government Act 2003*.

2.2. **Local authority** (except in paragraph 5.1(d) below) has the meaning given in section 23 of the 2003 Act (and in regulations made under that section). To the extent that this guidance applies to parish councils and charter trustees (see paragraph 3.3), a reference to a "local authority" includes those councils and trustees.

2.3. An **investment** is a transaction which relies upon the power in section 12 of the 2003 Act and is recorded in the balance sheet under the heading of investments within current assets or long-term investments. The term does not include *pension fund and trust fund investments*, which are subject to separate regulatory regimes and are therefore not covered by this guidance.

2.4. A **long-term investment** is any investment other than (a) one which is due to be repaid within 12 months of the date on which the investment was made or (b) one which the local authority may require to be repaid within that period.

2.5. A **credit rating agency** is one of the following three companies: *Standard and Poor's; Moody's Investors Service Ltd; Fitch Ratings Ltd*.

(3) APPLICATION

Effective date

3.1 This guidance applies with effect from 1 April 2010 and supersedes the guidance issued on 12 March 2004.

Local authorities

3.2 This guidance applies to all local authorities in England.

Parish councils and charter trustees

3.3 This guidance applies to parish councils and charter trustees, subject to the following:

- (a) Where the parish council or charter trustee expects its investments at any time during a financial year to exceed £500,000, the guidance should apply in relation to that year.
- (b) Where the parish council or charter trustee expects its investments at any time during a financial year to exceed £10,000 but not £500,000, it should decide on the extent, if any, to which it would be reasonable to have regard to the guidance in relation to that year.
- (c) Where the parish council or charter trustee expects its investments at any time during a financial year not to exceed £10,000, no part of this guidance need be treated as applying in relation to that year.

(4) INVESTMENT STRATEGY

Preparation

- 4.1 The Secretary of State recommends that for each financial year a local authority should prepare at least one investment Strategy (“the Strategy”) in accordance with the timetable in paragraphs 4.5 and 4.6.
- 4.2 The Strategy should set out the authority's policies for the prudent management of its investments and for giving priority, firstly, to the security of those investments and, secondly, to their liquidity. It should therefore identify the procedures for monitoring, assessing and mitigating the risk of loss of invested sums and for ensuring that such sums are readily accessible for expenditure whenever needed.
- 4.3 The detailed contents of Strategy should be in accordance with paragraphs 5.1 to 7.1, but may include other matters considered relevant.

Approval

- 4.4 The Strategy should be approved by the full council. For authorities without a full council, the Strategy should be approved at the closest equivalent level.

Timing

- 4.5 The Secretary of State recommends that for any financial year an investment Strategy (“the initial Strategy”) should be prepared and approved before the start of that year.
- 4.6 The initial Strategy may be replaced by another Strategy (“the revised Strategy”) at any time during the year, on one or more occasions, subject to the same process of approval. The initial Strategy should specify circumstances in

which a revised Strategy is to be prepared, but a revised Strategy may be prepared in other circumstances, if at any time it is considered appropriate.

Publication

4.7 The Secretary of State recommends that the initial Strategy and any revised Strategy should, when approved, be made available to the public free of charge, in print or online.

(5) INVESTMENT SECURITY

Specified investments

5.1 An investment is a **specified investment** if all of the following apply:

- (a) the investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling;
- (b) the investment is not a long-term investment (as defined in paragraph 2.4);
- (c) the making of the investment is not defined as capital expenditure by virtue of regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146 as amended];
- (d) the investment is made with a body or in an investment scheme of high credit quality (see paragraph 5.2); or with one of the following public-sector bodies:
 - i the United Kingdom Government
 - ii a local authority in England or Wales (as defined in section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland
 - iii a parish council or community council.

5.2 For the purposes of paragraph 5.1(d), the Secretary of State recommends that the Strategy should define *high credit quality* (and where this definition refers to *credit ratings*, paragraph 6.1 is relevant).

Non-specified investments

5.3 With regard to **non-specified investments** (ie those not meeting the definition in paragraph 5.1), the Secretary of State recommends that the Strategy should:

- (a) set out procedures for determining which categories of such investments may prudently be used (and where these procedures involves the use of credit ratings, paragraph 6.1 is relevant);
- (b) identify which categories of such investments have so far been identified as prudent for use during the financial year; and
- (c) state the upper limits for the amounts which, at any time during the financial year, may be held in each identified category and for the overall amount which may be held in non-specified investments (the limits being defined by

reference to a sum of money or a percentage of the authority's overall investments or both).

(6) INVESTMENT RISK

Risk assessment

6.1 The Secretary of State recommends that the Strategy should state the authority's approach to assessing the risk of loss of investments, making clear in particular:

- (a) to what extent, if any, risk assessment is based upon credit ratings issued by one or more credit rating agencies;
- (b) where credit ratings are used, how frequently credit ratings are monitored and what action is to be taken when ratings change; and
- (c) what other sources of information on credit risk are used, additional to or instead of credit ratings.

Treasury management advisers

6.2 The Secretary of State recommends that the Strategy should state:

- (a) whether and, if so, how the authority uses external advisers offering information, advice or assistance relating to investment; and,
- (b) how the authority monitors and maintains the quality of any such service.

Investment training

6.3 The Secretary of State recommends that the Strategy should state what process is adopted for reviewing and addressing the needs of the authority's treasury management staff for training in investment management.

Investment of money borrowed in advance of need

6.4 The Secretary of State recommends that the Strategy should state the authority's policies on investing money borrowed in advance of spending needs. This statement should identify any measures to manage the amount of such investments, including any limits on (a) amounts borrowed and (b) periods between borrowing and expenditure. The statement should also comment on the management of the risks involved, including balancing the risk of investment loss against the risk of higher interest rates if borrowing is deferred.

(7) INVESTMENT LIQUIDITY

7.1 The Secretary of State recommends that the Strategy should set out procedures for determining the maximum periods for which funds may prudently be committed.