



STOW ON THE WOLD TOWN COUNCIL

INVESTMENT STRATEGY 2020/2021

INTRODUCTION

Stow on the Wold Town Council ("the council") acknowledges the importance of prudently investing the surplus funds held on behalf of the community.

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.

This strategy complies with the requirements set out in:-

- The Department of 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".

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.

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 risk.

INVESTMENT OBJECTIVES

In accordance with Section 15 (1) of the Local Government Act 2003, the council will have regard to:-

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

The guidance defines a prudent investment policy as having two primary objectives:-

- Achieving first of all **security** (protecting the capital sum from loss) and then **liquidity** (keeping the money readily available for expenditure when needed). Once proper levels of security and liquidity are determined it will then be reasonable to consider a third objective, what level of **yield** can be obtained with the first two objectives.

This widely recognised investment strategy is sometimes more informally and memorably expressed as follows:-

- **Security – Liquidity – Yield** in that order.

The council's investment priorities therefore are:-

- The **security** of its reserves, and
- The adequate **liquidity** of its investments, and
- The return (**yield**) on investment – the council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

All investments will be made in sterling.

The Department for Communities and Local Government 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.

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

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 approved credit rating agencies.

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

SPECIFIED INVESTMENTS

Specified investments are those offering high security and high liquidity. All investments will be made in sterling and for no more than a year. Such short term investments made with the UK Government or a Local Authority or a Town/Parish council will automatically be Specified Investments.

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

- Deposits with banks, building societies, local authorities or other public authorities.

The choice of institution and length of deposit will be at the discretion of the Finance & General Purpose Committee.

The council's current investments, which provide a secure yield rate of interest and liquidity, are with Lloyds Bank 1 year fixed bond and CCLA Investment Management Limited, Public Sector Deposit Fund (see Appendix A).

NON SPECIFIED INVESTMENTS

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

Given the unpredictability and uncertainty surrounding such investments the council will not use this type of investment.

LIQUIDITY OF INVESTMENTS

The Finance & General Purpose Committee will determine 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 to the counterparty.

LONG TERM INVESTMENTS

Long Term Investments are defined in the Guidance as greater than 36 months.

The council does not currently hold any funds in long term investments.

No long term investments are envisaged for the foreseeable future.

END OF YEAR INVESTMENT REPORT

At the end of the financial year the Responsible Finance Officer will report on investment activity to the Finance & General Purpose Committee.

REVIEW AND AMENDMENT OF REGULATIONS

The Investment Strategy will be reviewed annually by the full council.

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

The Investment Strategy must be approved by full council but may be varied from time to time as circumstances dictate.

FREEDOM OF INFORMATION

In accordance with the Freedom of Information Act 2000 this document will be posted on the council's website www.stowonthewold-tc.gov.uk.

APPENDIX A**Statement of Reserves Position**

1. At the end of 2018/19 financial year the council had £48,578 in its general reserve.
2. In addition to above at the end of 2018/19 financial year the council also had £62,250 in earmarked reserves.
3. The precept of £142,170 is paid in two tranches – two thirds in April 2019 (£106,628) and balance in September 2019 (£35,542).
4. The current balance as at 31st August 2019 in each of the specified investments is as follows:-

Current account - £43,659.81

Public Sector Deposit Fund account - £41,287.74

Lloyds 1 Year Fixed Term Bond - £52,995.67 (matures in January 2020)