

## **ANNUAL INVESTMENT STRATEGY 2014/15**

1. The Council has had regard to the Department of Communities and Local Government's (DCLG) Guidance on Local Government Investments and CIPFA's Treasury Management in Public Services: Code of Practice and Cross Sectoral Guidance Notes.

2. This Annual Investment Strategy states which investments the Council may use for prudent management of its treasury balances during the financial year.

### **3. Investment Objectives**

3.1 All investments will be in sterling.

3.2 The general public policy objective for this Council is the prudent investment of its treasury balances.

3.3 The Council's investment priorities are the security of reserves and liquidity of its investments.

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

3.5 The DCLG maintains that the borrowing of monies purely to invest or to lend and make a return is unlawful and this Council will not engage in such activity.

### **4. Investment Balances/Liquidity of Investments**

4.1 Based on its cash flow forecasts, the Council anticipates its fund balances in the financial year 2014/15 will be up to £2,500,000.

4.2 Given due consideration to the Council's current level of balances and estimated levels over the next 3 years coupled with the need for liquidity, its spend commitments and provision for contingencies, the Council has determined that none of its balances can be prudently committed to longer term investments (i.e. those with a maturity exceeding a year).

4.3 In order to maintain sufficient security and liquidity the Council will manage any surplus funds mainly through their Lloyds Business Instant Access Savings Account and Lloyds Treasury Accounts which provide a secure rate of interest. At the discretion of the RFO in consultation with the Town Clerk, deposits in the Public Sector Deposit Fund and other UK banks, with a minimum long term Moody's (or equivalent) credit rating of 'A' and may be used if offering a higher rate of interest.

### **5. Investments defined as capital expenditure**

5.1 The acquisition of share capital or loan capital in any body corporate is defined as capital expenditure under Section 16(2) of the Local Government Act 2003. Such investment will have to be funded out of capital or revenue resources and will be classified as "non specified investments".

5.2 A loan or grant by this Council to another body for capital expenditure by that body is also deemed by regulation to be capital expenditure by this Council. It is therefore important for this Council to clearly identify if the loan has been made for policy reasons (e.g. to the registered social landlord for the construction/improvement of dwellings) or if it is an investment for treasury

management purposes. The latter will be governed by the framework set by the Council for “specified” and “non-specified” investments.

- 5.3 It is not envisaged that any investments of a capital expenditure nature will be entered into during 2014/15.

## **6. Provisions for credit related losses**

- 6.1 If any of the Council’s investments appear at risk of loss due to default (i.e. a credit rated loss, and not one resulting from a fall in price due to movements in interest rates) the Council will make revenue provision of an appropriate amount.

## **7. Investment Strategy to be followed in house**

- 7.1 To retain not less than one month’s average working capital requirement in current and instant access accounts giving immediate access.
- 7.2 Amounts representing the balance on Capital Receipts Reserve at the beginning of the financial year to be placed on deposit of up to one year’s duration depending on the prevailing interest rates.
- 7.3 Any other funds may be placed on deposit of up to one year’s duration, depending on the prevailing interest rates and forecast cash flow requirements..

## **8. End of year Investment Report**

- 8.1 During the budget process the Responsible Financial Officer (RFO) will report on investment forecasts.
- 8.2 At the end of the financial year, the RFO will prepare a report on investment activity.