



## **ANNUAL INVESTMENT STRATEGY**

### **1. OVERVIEW**

This document gives guidance on investments and borrowing by St Neots Town Council in accordance with 'the Local Government Act 2003'. It highlights that the Council is committed to Treasury Management to ensure:

- The return on its investments commensurate with proper levels of security and liquidity;
- All external borrowing and other long term liabilities are within prudent and sustainable levels;
- Treasury Management decisions are taken in accordance with good professional practice.

The Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice defines Treasury Management as: 'The management of the Council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks'.

### **2. INVESTMENT STRATEGY**

#### **2.1. Investment Objectives and Risk Assessment**

- In accordance with the revised guidance issued by Communities and Local Governance (CLG) that became effective on or after 1 April 2018, the Council's investment priorities are Security, Liquidity and Yield in that order of importance. 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 and any payments or repayments will also be in sterling;
- All investments will be made in the name of the Council and with UK registered financial institutions registered with and regulated by the Financial Conduct Authority;
- If external investment managers are used, they will be contractually required to comply with the Strategy;
- Investments will be made with a body and investment scheme which has been awarded a high credit rating and credit ratings will be monitored regularly.

## 2.2. Specified Investments

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

- The investment is denominated in sterling and any payments or repayments in the respect of the investment are payable only in sterling.
- The investment is not a long term investment. This means that the local authority has contractual right to repayment within 12 months, either because that is the expiry term of the investment or through a non-conditional option.
- 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 [as amended]*.
- The investment is made with a body or in an investment scheme described as high quality (see paragraph 33 or with one of the following 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; or iii. A parish council or community council.

The Council current investment is with CCLA Public Sector Deposit Fund that allows instant access.

The PSDF will only invest in sterling denominated investments and deposits. The principal investments will comprise certificates of deposit, call accounts, and term deposits with banks and building societies. The PSDF may also invest in other securities such as commercial paper, floating rate notes and bonds which may be issued or guaranteed as to principal or interest by sovereign governments and their agencies, supranational entities, corporations and financial institutions.

The PSDF is a 'qualifying money market fund' which is classes as a "low volatility net asset value" (LVNAV) short term money market fund under the Money Market Funds Regulation and, as such, is subject to the investment and borrowing powers and restrictions applicable to such funds. The weighted average maturity of the PSDF's investments will not exceed 60 days. The weighted average life of the PSDF's investments will not exceed 120 days.

The PSDF will not invest in derivatives, collective investment schemes, eligible securitisations or asset-backed commercial paper (ABCPs). Nor will it invest in assets which are not eligible assets for investment by a money market fund. Further, the PSDF will not undertake short-selling of money market instruments, securitisations, ABCPs or units or shares of other money market funds. The PSDF will not enter into repurchase agreements, securities lending agreements or securities borrowing agreements. Finally, the PSDF will not borrow cash.

The PSDF was awarded LVNAV status on 12 February 2019. Fitch Ratings has affirmed CCLA Public Sector Deposit Fund Money market Fund ratings at AAmmf.

The affirmation of the 'AAmmf' rating is driven by stable assets under management post conversion, as well as by the fund's overall credit quality and diversification, low exposure to interest rate and spread risk, and high levels of overnight and one-week liquidity

The Yeild on 1 April 2019 is 0.7788%.

## 2.3. Loans

Loans to local enterprises or local charities could be made as part of a larger strategy for local economic growth. The Strategy for such loans, whilst continuing to have regard to this guidance, need to demonstrate that:

- Recoverability of the loans has been considered
- The Council has appropriate credit control arrangements to recover overdue repayments in place; and
- The local authority has sufficient funds to make the loan

## **2.4. Liquidity of Investments**

The Responsible Finance Officer will determine the maximum periods for which funds may prudently be committed in specified investments so that liquidity is not compromised. The current investment with CCLA Public Sector deposit fund allows instant access.

## **3. EXTERNAL BORROWING AND BORROWING IN ADVANCE OF NEED**

The Ministry of Housing, Communities and Local Government (MHCLG), previously Department for Communities and Local Government (DCLG) takes the informal view that, while the speculative procedure of borrowing purely to invest at a profit is unlawful, there appears to be no legal obstacles to the temporary investment of funds borrowed for the purpose of expenditure in the reasonably near future.

The Council will follow the process and criteria, detailed in the Guide to Parish and Town Council Borrowing (jointly published by DCLG and NALC) in deciding whether or not approval would be given by MHCLG, before engaging in any such borrowing activity.

Whilst under statute, local authority debt is secured on the revenues of that authority, in practice, there is no realistic prospect of the revenues of any local authority being sufficient to pay back debt equating to many multiples of the sum of NNDR and Council Tax Income, without a pervasive and long term impact on service delivery.

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed and not adopt a debt financed commercial investment strategy.

## **4. MONITORING AND REVIEW**

The Investment Strategy will be reviewed by the Council annually at the start of each year but revised strategies could be submitted for review at any time during the year should there be significant changes in risk assessment or other investment issues which the Council might wish to have been brought to their attention.