



# Annual Investment Strategy

**Responsibility:** F & GP committee/Council

**Review Cycle:** Annually, or earlier in the event of legislative changes

<u>Date of Adoption / Renewal</u>	<u>Resolution Number</u>
8 January 2013	6682
7 January 2014	
6 January 2015	
4 January 2016	
10 January 2017	7957
3 July 2018	8463
23 <sup>rd</sup> July 2019	8840
10 March 2020	9020
16 March 2021	9293
11 January 2022	9628

# **Annual Investment Strategy 2021/22**

## **1. INTRODUCTION**

- 1.1 This policy sets out the treasury management procedures for the monitoring of the cash flow and banking arrangements of Crowborough Town Council. It states which investments the Council may use for prudent management of its treasury balances during the financial year. 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.
- 1.2 Authority reference is to the Council's Financial Regulations, Section 8 Loans & Investments together with Section 17 Risk Management.
- 1.3 The Local Government Act 2003 Section 12 provides the power to invest (a) for any purpose relevant to its functions under any enactment or (b) for the purpose of the prudent management of its financial affairs. Section 15(1) of the Act requires a local authority to have regard to guidance issued by the Secretary of State.
- 1.4 The Council acknowledges its duty of care to the community and the prudent investment of funds. This Annual Investment Strategy states which investments the Council may use for prudent management of its treasury balances during the financial year.

## **2. OBJECTIVES**

- 2.1 The Council's priorities are, in the following ranking order:
  - (i) The security of capital to minimise the risk of losses.
  - (ii) The liquidity of investments to meet the cash flow needs of the Council.
  - (iii) Maximising income within the framework of the national economic situation.
- 2.2 The Council will aim to achieve a high rate of return on investments commensurate with adequate safeguards of security and liquidity.

## **3. INVESTMENTS**

- 3.1 Investments for current expenditure will be in instant access deposit accounts with a daily sweep to the current account.
- 3.2 Not less than one month's average working capital requirement will be kept in current and instant access accounts.
- 3.3 All investment and deposits will be with UK registered banks or building societies.
- 3.4 All investments, deposits and interest will be in £ sterling.

- 3.5 Depending on the prevailing interest rates and forecast cash flow requirements, investments not required for current expenditure may be placed on longer term deposits of up to 2 years,
- 3.6 In order to spread the financial risk to a minimum, investments will be made with a minimum of 2 financial institutions.
- 3.7 Treasury investments will only be made with entities whose lowest published long term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.
- 3.8 The management of this policy will be by the RFO and reported to each Finance and General Purposes Committee meeting.

#### **4. INVESTMENT BALANCES/LIQUIDITY OF INVESTMENTS**

- 4.1 In order to maintain sufficient security and liquidity the Council will manage any surplus funds. At the discretion of the RFO, in consultation with the Town Clerk and F&GP Committee, UK banks and building societies with assets greater than £25 billion , may be used if offering a higher rate of interest. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

#### **5. INVESTMENTS DEFINED AS CAPITAL EXPENDITURE**

- 5.1 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. The Council will identify if the loan has been made for policy reasons or if it is an investment for treasury management purposes.

#### **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. END OF YEAR INVESTMENT REPORT**

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

#### **8. REVIEW**

- 8.1 This policy will be reviewed by the Finance and General Purposes Committee/ Full Council on an annual basis. Any variation to the policy will be submitted to Full Council for approval.

