

Date of Meeting: 17<sup>th</sup> June 2021

## Investment Strategy Review/Investment Position Statement

### 1. Purpose of Report

To review The Investment Strategy which should be reviewed annually by the Council at the start of the financial year (attached).

To review the performance of the Council's investments and an Investment Position Statement.

### 2. Background

The Town Council's Investment Strategy was approved in February 2020. The Strategy states that at the end of the financial year, the Town Clerk/RFO will provide a report on the performance of the Council's investments and an Investment Position Statement to the Finance Committee at their first meeting of the new financial year.

Within the annually produced Investment Position Statement, the Council will report on:

- Return on investments as an indicator of investment performance
- Debt to net revenue expenditure (gross debt as a percentage of net revenue expenditure, where net revenue expenditure is a proxy for the size and financial strength of a local authority)

### 3. Considerations

#### 3.1 Statutory Guidance

Statutory Guidance has been issued by the Government on Local Government Investments (3rd Edition) issued under section 15 (1)(a) of the Local Government Act 2003 and effective for financial years commencing on or after 1 April 2018. The key principles of the guidance are transparency and democratic accountability. The guidance is statutory for parish councils, providing their total investments exceed or are expected to exceed £100,000 at any time during the financial year.

The guidance states that where authorities are holding treasury management investments for more than 12 months, they should include quantitative indicators that allow Councillors and the public to assess a local authority's total risk exposure as a result of its investment decisions.

### 3.2 Investment Indicators

The Town Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions

**Total risk exposure:** The first indicator shows the Council's total exposure to potential investment losses.

*Table 1: Total investment exposure in £thousands*

<b>Total investment exposure</b>	<b>31.3.2020 Actual</b>	<b>31.3.2021 Actual</b>	<b>31.3.2022 Forecast</b>
Treasury management investment	£868,888	£523,954	£430,000
Service Investments: Loans given/Shares	£32,398	£25,048	£17,440
Commercial Investments	0	0	0
<b>Total Investments</b>	<b>£901,286</b>	<b>£549,002</b>	<b>£447,440</b>
Commitments to lend	0	0	0
Guarantees issued on loans	0	0	0
<b>Total Exposure</b>	<b>£901,286</b>	<b>£549,002</b>	<b>£447,440</b>

**How investments are funded:** Government guidance is that these indicators should include how investments are funded. The Council does not fund any of its investments from borrowing, and are only funded by usable reserves, income received in advance of expenditure and income received from the historic sale of land.

*Table 2: Investments funded by borrowing.*

<b>Investment funded by borrowing</b>	<b>31.3.2020 Actual</b>	<b>31.3.2021 Actual</b>	<b>31.3.2022 forecast</b>
Treasury Management investment	0	0	0
Service Investments: Loans given/shares	0	0	0
Commercial Investments: Property	0	0	0
<b>Total funded by borrowing</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Rate of return received:** This indicator shows the investment income received.

*Table 3: Investment return*

<b>Investment net rate of return</b>	<b>2019/20 Actual</b>	<b>2020/21 Actual</b>	<b>2021/22 forecast</b>
Treasury management investment	£11,488.89	£7,392.78	£6,815
Service Investment: Loans given/shares	£1,637.82	£1,291.37	£791.53
Commercial Investments: Property	0	0	0
<b>All investments</b>	<b>£13,126.71</b>	<b>£8,684.15</b>	<b>£7,606.53</b>

### 3.3.1 Treasury Management Statement

Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council typically receives its income in cash (e.g. from services) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure. These activities, can lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy.

The Authority has invested money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

Treasury risk management at the Council is conducted with due regard to the Chartered Institute of Public Finance and Accountancy's Guidance for Smaller Public Organisations on the Application of the CIPFA Code of Practice Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code) (2018) (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's obligation to have regard to the CIPFA Code and any other appropriate guidance.

In accordance with MHCLG Guidance, the Authority will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, or in the Council's capital programme or in the level of its investment balance.

### 3.3.2 Security

The Council will only invest in institutions of high credit quality – based on information from approved credit rating agencies (Moody's Investors Service Ltd, Fitch Ratings Ltd or Standard and Poor's). High credit quality is defined as a body or investment scheme with an 'A' or P1 rating.

The Council currently has investments with the CCLA Investment Management Ltd, split between two investments and one investment with the Skipton Building Society:

The Public Sector Deposit Fund currently holding £314,644  
The Local Authority Property Fund holding 39,171 units  
Skipton Building Society currently holding £97,084.

**The Public Sector Deposit Fund** - as at 31 March 2021 the Fitch Ratings were confirmed as AAmmf (a risk-weighted measure that considers the credit quality and maturity profile of the portfolios' securities)

**The Local Authority Property Fund** – On 31 March 2021 the mid market value (net asset value) of one unit in the fund was 293.62 pence. Giving a total investment value of £113,235.53. The CCLA has reported in terms of likely returns it is expecting a positive outcome in 2021, supported by the sector's exceptional income yield. It anticipates more in 2022, when higher capital values are expected to make a more

substantial contribution. Asset allocation will be a key source of return, whilst in a changing market, active management will support both capital and income returns.

**Skipton Building Society** A one year fixed rate bond with a fixed interest rate for 2021 of 0.35%, down on 2020 from 1.05%.

### **3.3.3 Banking**

A statement showing the activity in the year and closing balance on the Mayor's Charity Account should be reported to the first meeting of the financial year of the Finance Committee.

During 2020/21 there were no activities within the Mayor's Charity Account.

## **4. Recommendations**

4.1 That members consider the attached Investment Strategy 2021 and recommend approval by Full Council:

4.2 That members note the Investment Position Statement

## **5. Financial Implications**

There will be no financial implications as a direct result of this report but The Council shall be able to amend or make variations to the Policy at any time following consideration of recommendations from the Town Clerk/RFO. Where the Council proposes to make a material change to its Investment Strategy during the year a revised Strategy should be presented to full council for approval before the change is implemented, such changes could include a change to Capital Reserves held due to Capital project costs.

## **6. Equalities Impact**

There are no equalities implications as a result of this report.

## **7. Personnel Implications**

There are no personnel implications as a result of this report.

## **8. Environmental implications**

There are no environmental implications as a result of this report.

## **9. Consultation**

n/a.