

BURY ST EDMUNDS TOWN COUNCIL

ANNUAL INVESTMENT STRATEGY

1 INTRODUCTION

- 1.1 Bury St Edmunds Town Council recognises the importance of prudently investing the additional funds, beyond reserves, held on behalf of the community.
- 1.2 The Local Government Act 2003 says 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
- 1.3 This Strategy has taken into account the revised requirements set out in the Statutory Guidance on Local Government Investments (3rd Edition) issued by the Ministry of Housing, Communities and Local Government (MHCLG) under section 15(1)(a) of the Local Government Act 2003 and effective for financial years commencing on or after 1 April 2018 and the complementary Codes of Practice issued by the Chartered Institute of Public Finance (CIPFA).
- 1.4 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 risks.
- 1.5 In this strategy, the term 'investments' mean all funds held by the Council, including those held in a current banking account.
- 1.6 NB: The Council defines 'treasury management activities' as the management of its borrowing, investments and 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 OBJECTIVES

- 2.1 The Council's investment priorities are firstly about security, (i.e. protecting the capital sum from loss) and liquidity (i.e. keeping the money readily available for expenditure when needed).
- 2.2 The Council will aim to achieve the optimum return on its investments commensurate with proper degrees of security and liquidity.
- 2.3 All investments will be made in sterling.
- 2.4 Where external investment managers are used, they will be contractually required to comply with this Strategy.

- 2.5 NB: The Government Guidance maintains that borrowing of monies purely to invest, or to lend and make a return, is unlawful and this Council will not engage in such activity.

3 SPECIFIED INVESTMENTS

- 3.1 Specified investments are those offering high security and high liquidity, made in sterling and with a maturity of no more than a year.
- 3.2 For the prudent management of its treasury balances, maintaining sufficient levels of security and liquidity, the Council will place deposits with UK banks and building societies, UK local authorities and other UK public authorities.
- 3.3 The placement of funds in specified investments shall be overseen by the Clerk and delegated to the Responsible Financial Officer, and in conjunction with the Chairman of the Council.
- 3.4 Investments will be allocated to different counterparties to reduce counterparty risk.

4 NON-SPECIFIED INVESTMENTS

- 4.1 Any investment not meeting the definition of a specified investment is classed as non-specified. These investments have greater potential risk – examples include investment in the money market, stocks and shares.
- 4.2 Given the unpredictability and uncertainties surrounding such investments, the Council will not use this type of investment.

5 LIQUIDITY OF INVESTMENTS

- 5.1 The Clerk, in conjunction with the Responsible Finance Officer and Chairman of the Council will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.
- 5.2 Investments will be regarded as commencing on the date the commitment to invest is entered onto, rather than the date on which the funds are paid over to the counterparty.

6 LONG TERM INVESTMENTS

- 6.1 Any investment with a maturity longer than 12 months is by definition a long-term investment and thus capital expenditure (that reduces available balances and reserves).
- 6.2 The Council does not currently hold any long-term investments.

6.3 No long-term investments are envisaged during the current financial year.

7 RISK MANAGEMENT

- 7.1 Funds only to be deposited in specified investments (as detailed in section 3 above).
- 7.2 Within the limited range of potential investments identified, it is not considered necessary to engage the services of a treasury management adviser at the present time.

8 END OF YEAR INVESTMENT REPORT

8.1 Investment forecasts for the coming financial year were accounted for when budget was prepared. At the end of the financial year, the Responsible Financial Officer will report on investment activity to the Council.

9 REVIEW AND AMENDMENT

- 9.1 This strategy will be reviewed at least annually and at any time if investments issues arise which necessitate a revised strategy to be prepared. The revised strategy will be presented for approval by Council.
- 9.2 The annual strategy for the coming financial year will be prepared by the Responsible Financial Officer in conjunction with the Clerk and/or Chairman of the Council and will be subject to the same process of approval.
- 9.3 The Council reserves the right to make variations to the strategy at any time, subject to the approval of the full Council.