

## Investment Strategy Report 2019 / 20

### Introduction

The Council invests its money for two main reasons:-

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**).
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy is a new report for 2019 / 20, meeting the requirements of statutory guidance issued by the government in January 2018.

### Treasury Management Investments

The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £12m and £20m during the 2019 / 20 financial year.

**Contribution:** The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

**Further details:** Full details of the Council's policies and its plan for 2019 / 20 for treasury management investments are covered in a separate document, the treasury management strategy.

### Capacity, Skills and Culture

**Elected members and statutory officers:** The team involved in investment decision making have a number of years experience in treasury management. They attend sessions run by our treasury management advisors in relation to investments and treatment. The Treasury Management advisors are consulted on potential changes to portfolio. Members are also provided with treasury management training, the frequency is dependent on requirements and changes.

**Commercial deals:** The Finance Manager and Section 151 offers are involved in projects with a financial impact and therefore communicate with those negotiating commercial deals the principles of the prudential framework and regulatory regime.

**Corporate governance:** The annual strategies are reviewed by the Overview and Scrutiny Committees before presented to the Finance and Corporate Services Committee and the Council for approval.

### Investment Indicators

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

**Total risk exposure:** The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

*Table 5: Total investment exposure in £millions*

Total investment exposure	31.03.2018 Actual	31.03.2019 Forecast	31.03.2020 Forecast
Treasury management investments	11,436	12,805	10,351
TOTAL INVESTMENTS	11,436	12,805	10,351
<b>TOTAL EXPOSURE</b>	<b>11,436</b>	<b>12,805</b>	<b>10,351</b>

**How investments are funded:** The Council's investments are funded by usable reserves and income received in advance of expenditure.

**Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

*Table 7: Investment rate of return (net of all costs)*

Investments net rate of return	2017/18 Actual	2018/19 Forecast	2019 / 20 Forecast
Treasury management investments	1.4%	1.6%	1.6%
ALL INVESTMENTS	1.4%	1.6%	1.6%

There are not currently any other investment indicators, however as the Authority moves towards more commercial service provision, then suitable indicators will be adopted. The Capital Strategy details £6.28m of expenditure intended for Commercial projects in 2019 / 20.