

Investment Strategy 2020/21

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).

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 2020 / 21 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 2020/21 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 officers 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. The Council does not have investments for services purposes. At the current time the Council also does not have any commitments to lend to third parties nor any guarantees issued over third party loans. Therefore, the potential investment risk is limited to the Council's

treasury management investments which comprise call accounts, deposits, Money Market Funds and longer-dated pooled property and multi-asset funds.

Total investment exposure	31.03.2019 Actual £000	31.03.2020 Forecast £000	31.03.2021 Forecast £000
Treasury management investments	13,144	12,500	10,000
TOTAL INVESTMENTS	13,144	12,500	10,000
TOTAL EXPOSURE	13,144	12,500	10,000

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, 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.

Investments net rate of return	2018/19 Actual	2019/20 Forecast	2020 / 21 Forecast
Treasury management investments	1.6%	2.0%	2.0%
ALL INVESTMENTS	1.6%	2.0%	2.0%

There are not currently any other investment indicators, however as the Council moves towards more commercial service provision, then suitable indicators will be adopted.