

Investment Strategy Report 2023/24

Maldon District Council

Introduction

The Authority invests its money for two broad purposes:

- 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 Authority 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 £16m and £35m during the 2023/24 financial year.

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

Further details: Full details of the Authority's policies and its plan for 2023/24 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 our portfolio. Members are also provided with treasury management training, the frequency of which is dependent on requirements and changes.

Commercial deals: The Finance Specialists and Section 151 Officer are involved in projects which have 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 Performance, Governance and Audit Committee before being presented to the Strategy and Resources 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. 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.

Table 1: Total investment exposure in £millions

| Total Investment Exposure | 31.03.2022 Actual £000 | 31.03.2023 Forecast £000 | 31.03.2024 Budget £000 |
|---------------------------------|------------------------------|--------------------------------|------------------------------|
| Treasury Management Investments | £30,457 | £25,000 | £20,000 |
| Financial Investments | £5,000 | £5,000 | £5,000 |
| TOTAL INVESTMENTS | £35,457 | £30,000 | £25,000 |
| TOTAL EXPOSURE | £35,457 | £30,000 | £25,000 |

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.

Table 2: Investment rate of return (net of all costs)

| Investments net rate of return | 31.03.2022 Actual £000 | 31.03.2023 Forecast £000 | 31.03.2024 Forecast £000 |
|---------------------------------|------------------------------|--------------------------------|--------------------------------|
| Treasury Management Investments | 0.1% | 0.5% | 2.8% |
| Financial Investments | 3.8% | 3.8% | 3.8% |
| ALL INVESTMENTS | 0.7% | 1.1% | 3.0% |

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