



NewquayCouncil

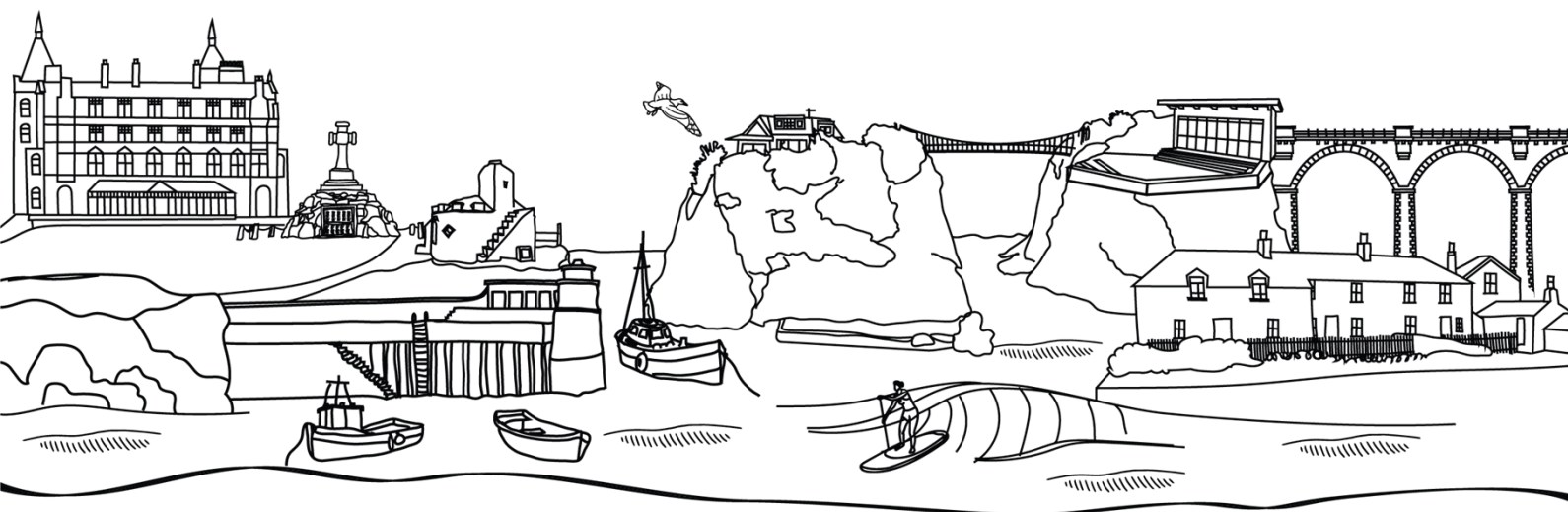
CorporateService

Name of Policy:

**Annual Investment Strategy
20254/265**

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19 February 2024 6 March 2025



Newquay Annual Investment Strategy

This is a Policy or Procedure document of Newquay Town Council and as such must be fully adhered to by both councillors and employees.

Policy/Procedure File Status

Version	0.1	Approving Body	Full Council
Date	<u>19/02/2024</u> <u>06/03/2025</u>	Date of Approval	
Responsible Officer	Finance and Procurement Manager	Minute Reference	
Oversight Committee	Governance & Resources	Review Date	Feb 202 <u>6</u> <u>5</u>

Version History

Date	Version	Author/Editor	Comments
10.02.2014	1.0 Draft	Town Clerk	First draft pre-committee
24.02.2014	2.0 Revised draft	Town Clerk	Second draft (adopted)
02.04.2014	2.1 Adopted	Town Clerk	Adopted by Full Council
20.03.2018	3.0 Review	Town Clerk	Review for 2018/19
29.04.2019	1.0	Town Clerk	Review for 2019/20
29.04.2019	1.1	Town Clerk	Final Version post Committee Review
16.06.2020	1.2	Town Clerk	Minimal Review
08.05.2021	(2021) 0.1	TC&CE	Annual Review
28.03.2022	(2022) 0.1	TC&CE	Annual Review – recommended to ACM
27.02.2023	(2023/24) 0.1	F&PM	Annual Review – reviewed by G&R
19.02.2024	(2024/25) 0.1	F&PM	Annual Review – reviewed by G&R
<u>01.05.2024</u>	<u>(2025/25) 0.1</u>	<u>TC&CE</u>	<u>Adopted by Full Council</u>

Review Record

Date	Type of Review Conducted	Stage Completed	Summary of Actions Taken or Decisions Made	Completed By
20.03.2018	Full	04.04.2018	Amendment to policy	Town Clerk
29.04.2019	Full	01.05.2019	Updates	Town Clerk
16.06.2020	Minimal Review	16.06.2020		Town Clerk
08.05.2021	Annual Review	Yes	Updated dates	TC&CE
28.03.2022	Annual Review	Yes	Updated dates	TC&CE
27.02.2023	Annual Review	Yes	Updated dates	F&PM
<u>19.02.2024</u>	Annual Review	<u>Yes</u>	<u>Updated dates</u>	<u>F&PM</u>
<u>12.03.2024</u>	<u>Annual Review</u>			

Newquay Annual Investment Strategy

Contents

1.0	Policy Background	4
2.0	Definitions.....	5
3.0	General Policy	5
4.0	Investment Principals and Objectives	6
5.0	Specified Investments.....	9
6.0	Non-Specified Investments	10
7.0	Liquidity of Investments	11
7.0	Long Term Investments.....	11
8.0	Reporting on Investment Performance.....	12
9.0	Review and Amendment of Regulations	12
10.0	Treasury Management Advice	13
11.0	Alternative Formats	13
12.0	Freedom of Information	13

Newquay Annual Investment Strategy

1.0 Policy Background

- 1.1 Newquay Town Council hereinafter 'The Council', acknowledges the importance of prudently investing the temporarily surplus funds held on behalf of the community.
- 1.2 The Local Government Act 2003 states 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 complies with the requirements set out in:
 - The Department of Communities and Local Government *Guidance on Local Government Investments*
 - Section 15 (1) (a) of the Local Government Act 2003
 - Guidance within Governance and Accountability for Local Councils *Practitioner's Guide*
- 1.4 The Council defines its treasury management activities as the management of the Council's investments, cash flows, its banking and money market transactions, the effective control of the risks associated with those activities, and the pursuit of best value performance consistent with those risks
- 1.5 The Council has vested responsibility in the Governance and Resources Committee (G&R) to translate the annual strategy into investment actions.

Newquay Annual Investment Strategy

2.0 Definitions

Liquidity – this refers to how quickly you can access the money invested if the Council needed it at short notice.

Long-term Investments - *these are defined in the Guidance as investments greater than 36 months.*

Non-Specified Investments - *these investments have greater potential risk – examples include investment in the money market, stocks and shares.*

Optimal Returns – this means the best balance between what is practical and what is available.

Specified Investments – these are short-term investments (12 months or less) which generally bring lower rates of interest as they are less risky.

Treasury Balances – *this is where the Council balances the risk, level of financial return and the investment to achieve set returns on investment without over exposure to financial risk.*

3.0 General Policy

- 3.1 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
- 3.2 The Council currently holds circa £0.25m of invested funds. Over the coming year investment balances are likely to fluctuate and expected to increase dependent on property investment locally.

Newquay Annual Investment Strategy

4.0 Investment Principals and Objectives

- 4.1 The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.
- 4.2 The Council's investment priorities will be centred on the security of reserves and the prudent management of income and liquidity.
- 4.3 All investments will be made in sterling.
- 4.4 In accordance with Section 15(1) of the 2003 Act, the Council will have regard to
 - 4.4.1 to such guidance as the Secretary of State may issue, and to such other guidance as the Secretary of State may by regulations specify.
- 4.5 Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the security (protecting the capital sum from loss) and liquidity (ensuring funds are easily available/available when required) of its investments before seeking the highest rate of return/yield
- 4.6 The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The Council will therefore aim to achieve the optimum return on its investments commensurate with appropriate levels of security and liquidity
- 4.7 The Council's investment priorities therefore are, in order of importance:
 - 4.7.1 the security of its reserves
 - 4.7.2 the adequate liquidity of its investment
 - 4.7.3 the return (yield) on investments
- 4.8 The Department for Communities and Local Government maintains the borrowing of money purely to invest or to lend and make a return is unlawful and the Council will not engage in such activity.
- 4.9 Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Credit ratings are obtained and monitored by the Authority's treasury adviser, who as part of the services provided advise the Council on appropriate credit criteria, will also notify changes in credit ratings as they occur. However, investment decisions are never made solely based on credit ratings, and

Newquay Annual Investment Strategy

all other relevant factors including external advice from our advisors will be taken into account.

4.10 The Council may invest its surplus funds with any of the counterparty types below, subject to the cash limits (per counterparty) and time limits shown:

4.10.1 Deposits in the "Deposit Fund" held and management by CCLA: upto £1.5 million at any one time (note: these funds do not have a maturity date)

4.10.2 Deposits with the Debt Management Agency Deposit Facility (DMADF) – this is essentially investing with the UK government – for periods up to 6 months, which is currently the longest term offered by the DMADF

4.10.3 Call accounts which provide instant access, notice accounts and term deposits with UK banks and building societies on an unsecured basis*: with a credit rating of A- (A minus) or higher: £~~1~~3.5 million up to a maximum period of 1 year

4.10.4 Pooled Funds including Money Market Funds: £1.5 million per fund (note: these funds do not have a maturity date)

*it should be noted that call/notice accounts and term deposits are not secured on the bank's or building society's assets. These investments are subject to the risk of credit loss via a bail-in should the banking regulator determine that the institution is failing or likely to fail.

4.11 Investments in pooled funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds offering same-day liquidity and very low or no volatility provide an alternative to instant access bank accounts

4.12 The Council will monitor the risk of loss on investments by regularly reviewing credit ratings across the three main agencies. The Council will only invest with institutions deemed to be of 'high credit quality' based on rating agency information (see 4.1 below).

4.13 Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

4.13.1 no new investments will be made

Newquay Annual Investment Strategy

- 4.13.2 any existing investments that can be recalled or sold at no cost will be
- 4.13.3 full consideration will be given to the recall or sale of all other existing investments with the affect counterparty
- 4.14 The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other information, including credit default swaps, financial statements, information on potential government support, and reports in the financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet credit rating criteria
- 4.15 Investments will be spread over different providers in line with agreed limits in order to reduce counterparty risk.
- 4.16 If external investment managers are used, they will be contractually required to comply with the Strategy.
- 4.17 The Department for Communities and Local Government 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.

Newquay Annual Investment Strategy

5.0 Specified Investments

- 5.1 The CLG Guidance defines specified investments as those
 - 5.1.1 denominated in pound sterling
 - 5.1.2 due to be repaid within 12 months of arrangement
 - 5.1.3 not defined as capital expenditure by legislation, and
 - 5.1.4 invested with one of:
 - 5.1.4.1 the UK Government
 - 5.1.4.2 the UK local authority, parish council or community council, or
 - 5.1.4.3 a body or investment scheme of 'high credit quality'
- 5.2 The Council defines 'high credit quality' organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds 'high credit quality' is defined as having credit rating of A- or higher
- 5.3 Specified investments typically offer lower risk and higher liquidity. All investments made by the Council will be denominated in sterling and for no more than 12 months. Such short-term investments made with the UK Government, a local authority or a Town/Parish Council will be specified investments.
- 5.4 For the prudent management of its treasury balances, including maintaining sufficient levels of security and liquidity, the Council will place deposits with banks, building societies, local authorities and other public authorities/bodies.
- 5.5 The choice of institution and length of deposit will be at the discretion of the G&R Committee.
- 5.6 Newquay Town Council's Current investment is with NatWest Bank and Unity Trust Bank, both of which can provide a reasonable yield rate of interest depending on amounts invested and the terms of the investment. However, as part of the new strategy investments will be spread across different counterparties with higher credit ratings in order to reduce counterparty risk.
- 5.7 The Council has also invested in the CCLA deposit fund. This fund provides similar interest yields but spreads the invested funds across 30 different establishments. This provides the Council with greater security

Newquay Annual Investment Strategy

should one of the establishments liquidate as only 1/30th of the invested funds would be lost, whereas should NatWest or Unity Bank go into liquidation, approx. 50-60% of the Council's total funds would be lost.

- 5.8 Day-to-day banking will remain with Unity Trust Bank (previously a subsidiary of the Co-operative Bank; Co-op now has a small residual shareholding in Unity Trust Bank) and Natwest.

6.0 Non-Specified Investments

- 6.1 Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares.
- 6.2 Non-specified investment will therefore be limited to long-term investments (i.e. those that are due to mature 12 months or longer from the date of arrangement) and investments with bodies or schemes not meeting the definition of 'high credit quality'.
- 6.3 The Council's investments with Unity Trust Bank are non-specified investments as the bank is not credit rated. Before the end of 2023/24 the Council has agreed to increase its investment with CCLA, Public Sector Deposit Fund, which are to be reviewed on a quarterly basis by the Finance and Procurement Manager. During 2025/26, the Council does not envisage making investments which have maturities longer than 12 months. However, The Council has planned to review where the investments are held again during 2025/26 and report back to the G&R committee.

Newquay Annual Investment Strategy

7.0 Liquidity of Investments

- 7.1 The Responsible Finance Officer in consultation with the Chief Executive & Town Clerk, will calculate the maximum periods for which funds may prudently be committed so as not to compromise liquidity.
- 7.2 Subject to 4.1, the Responsible Finance Officer and Chief Executive & Town Clerk shall present details of available funds and options for the G&R Committee to debate and decide on as investment options.
- 7.3 Investments will be regarded as commencing on the date the commitment to invest is entered into, rather than the date on which the funds are paid over to the counterparty.
- 7.4 In the event of immediate and unforeseen circumstances that would have a deleterious effect on investments, the Responsible Financial Officer, in consultation with the Chief Executive & Town Clerk, has delegated authority to move investments as appropriate which may be ahead of an extra-ordinary meeting of G&R Committee to determine a consequential strategy.

7.0 Long Term Investments

- 7.1 When investing in Corporate Bonds and/or Government Bonds the Credit Rating alone is not sufficient to make an investment, it needs to be reviewed within the context of the wider financial economic information available and advice.
- 7.2 Through CCLA, the Council can invest in the long-term Property Fund. However, as we are investing in a number of significant capital projects over the next 12-24 months, the decision has been made not to enter this fund at present.
- 7.3 The Council does not currently hold any long-term investments.
- 7.4 No long-term investments are envisaged during the financial year 2025/26, pending the review.

Newquay Annual Investment Strategy

8.0 Reporting on Investment Performance

- 8.1 The Council will ensure that the G&R Committee Members and the Responsible Finance Officer have sufficient training to underpin their responsibilities to scrutinise this treasury management function.
- 8.2 At the end of each financial year, the Responsible Finance Officer will report on investment activity to the G&R Committee.
- 8.3 Reserve and General Fund cash flows will be reported to the G&R Committee on a quarterly basis.

9.0 Review and Amendment of Regulations

- 9.1 This Strategy will be reviewed annually at the first Governance and Resources Committee meeting following May each year. The Annual Strategy for the coming financial year will be prepared by the Responsible Finance Officer and presented for approval by the G&R committee.
- 9.2 The Council reserves the right to make variations to the Strategy at any time, subject to the approval of the full Council. Any variations will be made available to the public.
- 9.3 The investment strategy must be approved by Full Council, but may be varied from time to time as circumstances dictate through the G&R Committee.

Newquay Annual Investment Strategy

10.0 Treasury Management Advice

- 10.1 Given the significant level of reserves that have arisen from the Council's first two years of operation the CEO and Responsible Finance Officer recommended that independent, external, expert 'Treasury Management' advice is sought to both review this Investment Strategy and the allocations of Specified Investments.
- 10.2 Treasury Management advice would typically come from either:
- 10.2.1 the principal local authority
 - 10.2.2 treasury management advisory firms who specialise in local authority and local town & parish councils
 - 10.2.3 other local independent financial advisors with expertise in advising business and individuals with significant cash sums to manage and invest.

11.0 Alternative Formats

- 11.1 Equality Act 2010 (Amendment) Regulations 2023 – copies of this document in large print (A3 Format) or larger font size can be made available for those with sight impairment on request from the Council Office or by telephoning 01637 878388 or e-mailing the Town Clerk's Office ~~(office@newquay.town)~~ corporateservice@newquay.gov.uk.

12.0 Freedom of Information

- 12.1 In accordance with the Freedom of Information Act 2000, this Document will be posted on the Council's Website www.newquay.gov.uk.

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