

NEWPORT TOWN COUNCIL INVESTMENT STRATEGY 2016-2018

INTRODUCTION

Newport Town Council acknowledges the importance of prudently investing all funds held on behalf of the community by the Council.

This Strategy complies (as appropriate) with the revised requirements set out in Guidance on Local Government Investments issued by the Department of Communities and Local Government in April 2010.

In setting out this strategy the Council has taken into account advice in the form of a draft strategy prepared by Arlingclose (December 2016)

This Strategy should be read in conjunction with the Council's Financial Regulations.

INVESTMENT OBJECTIVES

In accordance with Section 15(1) of the 2003 Act, the Council will have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify.

The Council's investment priorities are as follows in order of priority:

1. Security of capital
2. Liquidity
3. Yield (The effect of any charges should be taken into account when considering investments).

The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

All investments will be made in sterling.

The Department for Communities and Local Government maintains that borrowing of monies purely to invest or to lend and made a return, is unlawful and this Council will not engage in such activity.

The Council's Finance and General Purposes Committee will monitor the risk of loss on investments by reviewing credit ratings on a quarterly basis and more often if necessary and by any appropriate means.

The Council will only invest in institutions of high credit rating. Reference will be made in the assessment of credit worthiness to the general economic and political environment in which institutions operate. All significant sources of information will be scrutinised including information from the main credit rating agencies e.g. Fitch and Moody's and advice from reputable investment companies.

The Council's minimum credit criteria for individual counterparties is A.

Investments will be spread over different providers where appropriate to minimise risk. Significant changes in credit ratings will be immediately reported to the Resource and Finance Committee and the Responsible Financial Officer will take action within delegated powers to protect Town Council assets.

Where external investment managers are used, they will be contractually required to comply with the Strategy.

The Town Council will provide specific staff training for treasury management appropriate to the Council's circumstances.

SPECIFIED INVESTMENTS

Specified Investments are those offering high security and high liquidity, made in sterling and with a maturing of no more than a year. Such short term investments made with a body or investment scheme of high credit rating (including the UK Government or a local authority or town and parish council) will automatically be Specified Investments. The Council will only invest in institutions with good credit ratings from approved credit rating organisations (see above).

For the prudent management of its treasury balances (risk management), maintaining sufficient levels of security and liquidity, the Town Council will use:

- Deposits with banks, building societies, local authorities or other public authorities
 - The Council holds its general funds in a current account and investment account with Barclays Bank currently long term rating of A with Fitch & Moody's.
 - In order to spread the risk of investment the Council (January 2017) was minded to invest up to £50,000 in Public Sector Deposit Fund (AAA Rated Deposit Fund) –unspecified term withdrawal within 1 day.

NON-SPECIFIED INVESTMENTS

These investments have greater potential risk – examples include investment in the money market, stock and shares. The Town Council will only invest in such investments where the levels of general reserve and ear marked are significant (i.e. where the combined figure does not dip below the value of 4 months precept, currently £141,000) is and that it is most unlikely that any invested funds would be accessed within 5 years and where credible independent advice is obtained about suitability.

- The Council agreed (January 2017) to invest £50,000 in the CCLA Property Fund, having sought the professional advice of Arlingclose and is aimed to provide some useful yield.

LIQUIDITY OF INVESTMENTS

The Responsible Financial Officer will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.

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 to the counterparty.

LONG TERM INVESTMENTS

Long term investments are defined in the Guidance as greater than 36 months. The Council currently holds no such investments.

END OF YEAR INVESTMENT REPORT

Investment forecasts for the forthcoming year are accounted for when the budget is prepared. At the end of the financial year, the Responsible Financial Officer will report on investment activity to the Resource & Finance Committee.

REVIEW AND AMENDMENT OF REGULATIONS

The Strategy will be reviewed annually and at other times as necessary. The Annual Investment Strategy for the financial year will be prepared by the Responsible Financial Officer and presented for approval at the Resource & Finance Committee Meeting and the full Town Council.

The Town Council reserves the right to make variations to the Strategy at any time, subject to the approval of the full Council.

PUBLICATION

In accordance with the Freedom of Information Act 2000, the Council's Investment Strategy will be published on the Town Council's website and is also available as a hard copy from the Town Council Offices.