

# Woodley Town Council

## Annual Treasury Management Strategy 2017/18

### Background

Under the Local Government Act 2003 the Council is required to have regard to the Guidance on Local Government Investments issued on 11 March 2010 by the Department for Communities and Local Government and operative from 1 April 2010. **Appendix A**

In addition there are two codes of practice issued by the Chartered Institute of Public Finance and Accountability (CIPFA) to which the Council should have regard and which contain investment guidance that complements the CLG guidance. These are:

- Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes
- The Prudential Code for Capital Finance in Local Authorities

Local authorities, including town and parish councils, are required to have regard to the current editions of these CIPFA codes by regulations 2 and 24 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146].

The guidance from CLG applies to Woodley Town Council because its investments at any time in the year (temporary and long term) are likely to exceed £500,000.

### Investment Strategy

The guidance recommends that for each financial year a council should prepare at least one investment strategy that is prepared and approved by Council before the start of the year. The strategy may be revised during the year, depending on circumstances.

The investment strategy should set out the council's policies for the prudent management of its investments and for giving priority, firstly, to the security of those investments and, secondly, to their liquidity.

The strategy should identify the procedures for monitoring, assessing and mitigating the risk of loss of investment sums and for ensuring that those sums are readily accessible for expenditure whenever needed.

### Introduction

The Council acknowledges the importance of prudently investing surplus funds and has structured its strategy and its policies and practices in respect of treasury management on the guidance available.

This strategy complies with the revised requirements set out in the Department for Communities and Local Government's *Guidance on Local Government Investments (operative from 1/4/10)* and has regard to the Chartered Institute of Public Finance and Accountancy's *Treasury Management in Public Services: Code of Practice and Cross Sectoral Guidance Notes* and *The Prudential Code for Capital Finance in Local Authorities*.

This strategy puts in place formal objectives, policies, practices and reporting arrangements for the effective management and control of the Council's treasury management activities.

## **Policy and practice**

The Council defines its treasury management activities as:

*The management of the council's cash flows, its banking, money market and capital market transactions; the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks.*

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.

The Council acknowledges that effective treasury management will provide support towards the achievement of its objectives. It is committed to achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques within the context of effective risk management.

The treasury management strategy, to include the investment strategy, will be prepared and approved before the start of each financial year.

Approval of the treasury management strategy will be considered by full Council. This is in accordance with the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (regulation 4(1)(b) and Schedule 4) (SI 2000/2853, as amended by SI 2004/1158).

The Council may revise the treasury management strategy and/or the investment strategy at any point in the year, subject to full Council approval.

Short term investments, approved by the Town Clerk, will be reported to the Strategy and Resources Committee.

The Investments Working Party and/or Strategy and Resources Committee will monitor the performance of long term investments through the year and receive an annual report from the external investment manager in October/November.

Where external investment managers are used they will be contractually required to comply with this strategy.

## **Investment objectives**

To ensure prudent investment of the funds held by the Council on behalf of the community.

In the case of temporary investments, to ensure that the Council's investment priorities are the security of sums invested and the liquidity of those sums, ensuring that money is readily available for expenditure when needed.

In the case of long term investments, to build up sufficient funds to pay the loan principal of £2M by 2025/6 in respect of the loans made by the Public Works Loan Board for the construction of the Oakwood Centre.

## Temporary (specified) investments

From time to time the Council may have a temporary surplus of cash funds. Such surplus cash funds may be invested for periods of less than 12 months.

For the prudent management of its treasury balances, in order to maintain sufficient levels of security and liquidity, the council will use deposits with reputable banks or building societies.

*Counterparties:* The choice of institution and length of deposit will be at the discretion of the Town Clerk, but the credit rating from one or more independent credit rating agencies must give a rating judging the institution to be of high quality and subject to low credit risk with a credit rating of at least A. The rating will be reviewed every time there are surplus funds for investment.

In specifying the length of these investments the Council's anticipated expenditure requirement over the proposed investment period will be assessed to ensure sufficient funds remain available.

The level of temporary surplus funds invested with one institution at any one time will not exceed £250,000.

*Note: Financial institutions where temporary investments were made in 2016/17:*

*Lloyds Bank*

*Santander Bank*

## Long term (unspecified) investments

The Council has a fund it is building up to pay the £2M principal of the loans for the construction of the Oakwood Centre by 2025/6 and is making long term investments towards this objective. It is anticipated that funds invested will remain so until payment of the loans is due, in three stages during 2025 and 2026.

It appointed Rathbone Investment Management Ltd in August 2010, and again in 2015, to advise on and manage the investment of this fund and has agreed that the investment manager will manage the fund in line with the dynamic asset allocation provided. ~~See at~~ **Appendix B**. The portfolio is to be managed on a discretionary basis which will enable the investment manager to take decisions, in line with the agreed fund strategy, without prior referral to the Council.

The Council has instructed Rathbone Investment Management Ltd to manage the fund on a low risk rating.

The Council will encourage the investment manager to consider social, ethical and environmental factors when selecting, retaining or disposing assets.

Period	Target increase in investment value
<del>1 April 2015</del> – <del>31 March 2016</del>	<del>£29,803</del>
1 November 201 <del>6</del> <sup>5</sup> – 31 October 201 <del>7</del> <sup>6</sup>	<del>£31,240</del> £35,392

As at 31 October ~~2016~~<sup>2015</sup> the market value of the fund was ~~£1,094,658~~ £1,285,694, an increase of ~~£39,694~~ £108,416 over the year, excluding the contributions of £82,620 made in the year made up of the Council's agreed contribution of £80,000 and the VAT reclaimed on the fees paid the Rathbones in 2015/16. The target increase that had been set for this period was ~~£28,737~~ £31,240.

Overall, the target for the fund is to achieve a fund of £2M with a combination of annual contributions and investment value.

The Council, through the Investments Working Party and/or the Strategy and Resources Committee, will receive an annual report from the investment manager in October/November and review the year on year performance and the annual performance each year in November. \*

The Council, through the Investments Working Party and/or the Strategy and Resources Committee, will review its annual contribution to the fund every three years. The next review will take place in November ~~2019~~2016. In ~~2016/17~~2017/18 the Council will budget to contribute £80,000 to the fund.

The choice of investment manager will be reviewed every 5 years. In 2015 the Council agreed to appoint Rathbone Investment Management Ltd. The next review will take place in 2020. The criteria for this process is attached at **Appendix C**.

The Town Clerk has been approved as the Council's designated person in dealings with Rathbones and is authorised to deal with administrative matters and give instructions on behalf of the Council.

Counterparties:

Rathbone Investment Management Ltd

Rathbone Investment Management Ltd, the wholly owned subsidiary of Rathbone Brothers PLC, has been appointed to provide an investment management service to the Council in line with the objectives set out above. Rathbone Brothers PLC is a FTSE250 quoted company and is regulated by the Prudential Regulation Authority [and the Financial Conduct Authority](#).

Rathbone Investment [Management](#) Ltd has been appointed to operate the Council's investment portfolio on a low risk level. A series of committees filter stocks/funds that the company deems are appropriate for the level of portfolio risk. Rathbones is directed to manage the fund with a low approach to risk and to select investments that meet this level of risk for the portfolio and that are in line with the asset allocation described above.

In its dealings with Rathbone Investment Management Ltd the Council will ensure that:

- clear and comprehensive records of all investments held on its behalf are provided to the Council.
- investments are held in a nominee account, held separately from the company's own assets

Each year the Council will require the investment manager to:

- provide the company's most recent Report on Controls in Operation
- confirm that internal procedures and controls are in place to ensure the security of the Council's assets and that there is adequate segregation of duties in the application of internal procedures.
- confirm that the company's practices and adherence to procedures are subject to regular review as part of both internal and external audit
- confirm that the custodial activities relating to investments are subject to regular review and reconciliation

*\* There is no index available to compare the fund's strategy (where the portfolio asset mix is constantly moving towards the greater security of gilts) and performance will be measured against a bespoke benchmark. (In recent years [the comparison has been made against the FTS Wealth Managers Association Growth TR.](#))*