

RESERVES POLICY,
INVESTMENT POLICY AND INVESTMENT STRATEGY

Introduction

This policy has been developed in accordance with:

1. Statutory Guidance on Local Government Investments (3rd Edition) issued under section 15 (1)(a) of the *Local Government Act 2003* and effective for financial years commencing on or after 1 April 2018
2. The Treasury Management Code issued by CIPFA – “*Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, 2017 Edition*”

Relevant Guidance

Statutory Guidance has been issued by the Government on Local Government Investments (3rd Edition) issued under section 15 (1)(a) of the *Local Government Act 2003* and effective for financial years commencing on or after 1 April 2018. The key principles of the guidance are transparency and democratic accountability. The guidance is statutory for parish councils, providing their total investments exceed or are expected to exceed £100,000 at any time during the financial year.

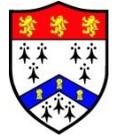
The guidance states that local authorities who hold treasury management investments should apply the principles set out in the CIPFA Treasury Management Code. There are 3 key principles within section 4 of the Code which are:

1. *The Council should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.*
2. *Policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds.*
3. *The Council should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of risk management, their treasury management policies and practices should reflect this.*

The guidance states that where authorities are holding treasury management investments for more than 12 months, they should include quantitative indicators that allow Councillors and the public to assess a local authority’s total risk exposure as a result of its investment decisions. The authority should consider the most appropriate indicators to use, given their risk appetite and capital and investment strategies. The indicators used should be consistent from year to year and should be presented in a way that allows elected members and the general public to understand a local authorities’ total risk exposure from treasury



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management and other types of investment. Where a local authority has entered into a long term investment or has taken out long term debt to finance an investment, the indicators used should allow Councillors and the general public to assess the risks and opportunities of the investment over both its payback period and over the repayment period of any debt taken out.

Reserves Policy

The Town Council will only maintain reserves for the following reasons:

- A sum approximately equal to 25% – 50%, depending on financial circumstances, of its Net Revenue Expenditure will be maintained as the General (non-earmarked) Reserve, in accordance with good practice.
- A Capital Reserve will be built up to meet any needs identified in its Medium Term Financial Forecasts or for unexpected expenditure or emergencies.
- Other Reserves which are earmarked for special purposes or future development, or to meet commitments, will be maintained as necessary.

The Council's reserves strategy will be reviewed by the Corporate Strategy Working Group at its meeting on 5th July 2018, following which recommendations to Council will be made.

Investment Strategy 2018

Alsager Town Council acknowledges the importance of prudently investing the surplus funds held on behalf of the community.

The Council defines its treasury management activities as:

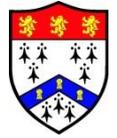
The management of the Council's cash flows, its banking and money market transactions, the effective control of the risks associated with those activities, and the pursuit of best value performance consistent with those risks

Alsager Town Council holds investments for treasury management purposes. The contribution that these investments make to the objectives of Alsager Town Council is to support effective treasury management activities.

Yields that are generated from financial investments will be added to the capital reserve on an annual basis to contribute towards the future needs identified in the 5 year capital program.

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.

Indicators



The guidance states that where authorities are holding treasury management investments for more than 12 months, they should include quantitative indicators that allow Councillors and the public to assess a local authority's total risk exposure as a result of its investment decisions.

Investment Policy

Investment objectives

The two primary objectives of a prudent investment policy are:

1. Achieving **security** (protecting the capital sum from loss)
2. **Liquidity** (keeping the money readily available for expenditure when needed)

Once proper levels of security and liquidity are determined it will then be reasonable to consider a third objective, what level of **yield** can be obtained consistent with the first two objectives.

Investment Priorities

Alsager Town Council's investment priorities therefore are:

- the **security** of its reserves, and
- the adequate **liquidity** of its investments, and
- the **return (yield)** on investment - the Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

All investments of money under the control of the Council shall be in the name of Alsager Town Council.

The Department for Communities and Local Government maintains that 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.

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

Security

In order to diversify an investment portfolio largely invested in cash, investments will be placed with a range of approved financial institutions to minimise risk.

Financial investments can fall into one of three categories:

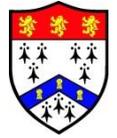
1. Specified Investments
2. Loans
3. Other Non-Specified Investments

1. **Specified Investments**

- Specified investments are those offering high security and high liquidity.
- All investments will be made in sterling.
- Specified investments are not long term, the local authority has contractual right to repayment within 12 months.



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- The investment is made with a body or in an investment scheme described as **high quality** or will one of the following bodies:
 - i. The United Kingdom Government
 - ii. A local authority in England or Wales (as defined in section 23 of the 2003 Act) for a similar body in Scotland or Northern Ireland; or
 - iii. A parish council or community council.

The Council will only invest in institutions of high credit quality – based on information from approved credit rating agencies (Moody’s Investors Service Ltd, Fitch Ratings Ltd or Standard and Poor’s). High credit quality is defined as a body or investment scheme with an ‘A’ or P1 rating.

The Council will monitor the risk of loss on investments by review of credit ratings on a quarterly basis. Alsager Town Council will assess the risk of loss before entering into, and whilst holding, an investment.

Alsager Town Council recognises that neither members or officers are experts in the field of treasury management. As such, the Council should review its level of investment on an annual basis and assess if there is a requirement to obtain independent, external, expert ‘Treasury Management’ advice in reviewing the Investment Strategy and the allocations of Specified Investments. Treasury Management advice may potentially be sourced from the principal local authority or a specialist treasury management advisory firms who specialises in local authority and local town and parish councils.

2. Loans

The guidance states that a local authority may choose to make loans to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth even though those loans may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity.

There are specific conditions that the local authority must be able to demonstrate in order to undertake this type of investment and the guidance contains a detailed explanation.

Alsager Town Council will not participate in such investments in FY2018/19.

3. Non-Specified Investments

Non-Specified Investments are those which are not a loan, nor does it meet the criteria to be treated as a specified investment.

Examples may be long term investments (longer than 12 months) and investment in stocks and shares.

Given the unpredictability and uncertainty surrounding investments in stocks and shares, Alsager Town Council will not participate in such investments.

The Council’s policy on liquidity states that only short-term investments will be held.

Liquidity

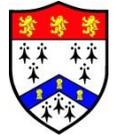
The Town Clerk/RFO and Chairman of Finance Committee will determine the maximum period for which funds may prudently be invested, so as not to compromise liquidity.

The Town Council’s policy will include short-term investments (no longer than 12 months) and ensure liquidity.

Return



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The Town Council will invest through its bank where appropriate by a series of linked accounts which allow transfer of money not immediately required to successfully higher interest investment.

The Council will report on the return on investments within the annually produced Investment Position Statement as an indicator of investment performance.

Publication

The guidance states that the Council's Investment Strategy should be publicly available on a local authority's website.

Annual Reporting on Investments

At the end of the financial year, the Town Clerk/RFO will provide a report on the performance of the Council's investments and an Investment Position Statement to the Finance, Policy & Governance Committee at their first meeting of the new financial year.

Within the annually produced Investment Position Statement, the Council will report on:

- Return on investments as an indicator of investment performance
- Debt to net revenue expenditure (gross debt as a percentage of net revenue expenditure, where net revenue expenditure is a proxy for the size and financial strength of a local authority)

Review of Investment Policy

The Investment Policy will be reviewed annually by the Council prior to the start of the financial year.

The Council shall be able to amend or make variations to the Policy at any time following consideration of recommendations from the Town Clerk/RFO.

Setting the Investment Strategy

For each financial year, a local authority should prepare at least one Investment Strategy which needs to contain the disclosures and reporting requirements specified in the guidance.

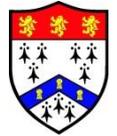
The Strategy should be approved by the full Council. The Secretary of State recommends that the Strategy should be presented for approval prior to the start of the financial year.

Where a local authority proposes to make a material change to its Investment Strategy during the year a revised Strategy should be presented to full council or equivalent for approval before the change is implemented

Banking Arrangements



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The Council will periodically review its banking arrangements by a competitive process which balances returns, high street presence, accessibility of funds, service level, bank charges and ethical credentials.

The banking arrangements of the Council will next be reviewed by the Finance, Policy & Governance Committee at its meeting on 4th September 2018, following which recommendations to Council will be made.

An account is held with Nationwide Building Society in the name of Alsager Town Council Chairman’s Charity Account. The funds in the account are raised from charitable activities performed by the Chairman during their term of office and are paid to the Chairman’s nominated charities/voluntary/community organisations at the end of their term. The funds do not belong to Alsager Town Council and, as such, fall outside the scope of this investment position statement. A statement showing the activity in the year and closing balance on the Chairman’s Charity Account is reported to the first meeting of the financial year of the Finance, Policy & Governance Committee.

Chairman of the Council.....

Date.....

