

HENLEY ON THAMES TOWN COUNCIL ANNUAL TREASURY MANAGEMENT STRATEGY 2010-2011

1. Introduction

- Henley on Thames Town Council (the Council) acknowledges the importance of prudently investing surplus funds held on behalf of the community.
- This Strategy complies with the revised requirements set out in
 - the Office of the Deputy Prime Minister's *Guidance on Local Government Investments (Appendix A)*
 - Chartered Institute of Public Finance and Accountancy's *Treasury Management in Public Services: Code of Practice and Cross Sectoral Guidance Notes*
- These requirements provide a basis to create clear treasury management objectives and to structure sound treasury management policies and practices.
- This 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 the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2. Policy

- This strategy puts in place formal and comprehensive objectives, policies and practices and reporting arrangements for the effective management and control of the Council's treasury management activities.
- The policies and practices make clear that the effective management of risk, having regard to return, is a prime objective of the treasury management activities.
- The Council acknowledges that the pursuit of best value management and the use of suitable performance measures are valid and important tools to employ in support of their business and service objectives; and their treasury management policies and practices reflect this.

3. Investment Objectives

- The Council's investment priorities are the security of reserves and adequate liquidity of its investments.
- The Council will aim to maximise income from its investments commensurate with proper levels of security and liquidity. For the year 2010-2011 this has been agreed at £160,000.
- The Council will seek to ensure that investment income is consistent one year to the next
- Where external investment managers are used, they will be contractually required to comply with this Strategy.

4. Temporary Investments

- From time to time the Council may have a temporary surplus of working capital cash.
- Such surplus funds may be invested for periods of less than 12 months.
- For the prudent management of its treasury balances, maintaining sufficient levels of security and liquidity, the Council will use deposits with banks, building societies, local authorities or other public authorities
- The choice of institution and length of deposit will be at the discretion of the Responsible Financial Officer, but will always have an independent rating of AAA.

5. Long Term Investments

- The Council has substantial funds available for longer term capital developments and to fund deficits incurred on the General Fund.
- These will be split between two or more Investment Managers for investing. The Council will expect the fund managers to liaise to ensure that there are no conflicts between investment strategies. The portfolios are to be managed on a discretionary basis which will enable the fund managers to take decisions without prior referral. However, no more than 70% of the portfolio should be invested in equities.
- Managers will be required to report in an identical format on a quarterly basis, with an annual presentation providing fuller detail. No other formal communication will be required.
- The choice of Investment Managers will be reviewed every 5 years.
- The Responsible Finance Officer will determine the cash requirement for each financial year from dividends and capital sales and will also provide notice of any major capital withdrawals.
- The Council will encourage the Investment Managers to consider social, ethical and/or environmental factors or criteria when selecting, retaining or disposing assets.
- Capital growth of the fund should be at least equal to RPI.
- Portfolio performance will be assessed on the APCIMS Income Index¹.

¹ This is an index provided by FTSE and APCIMS which indicate the returns which investors who are seeking a steady income from their investments might expect from their portfolios. The Council acknowledges that its portfolio is designed specifically for its own needs, so it is unlikely that its portfolio growth will reflect the movement of the Index exactly. However, the index does give a useful perspective on the performance of its portfolio and a benchmark for assessing and comparing the performance of fund managers. The breakdown of the Index is: UK Shares 45%; International Shares 10%; Bonds 35%; Cash 5%; Commercial Property 5% = 100%.

6. End of Year Investment Report

At the end of the financial year, the Responsible Finance Officer will report on investment activity to the Finance, Strategy and Management Committee.

7. Review and Amendment of Regulations

- This Strategy will be reviewed annually. The Annual Strategy for the coming financial year will be prepared by the Accountant and presented for approval to the Finance, Strategy and Management Committee before the start of the financial year.
- 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.

8. Alternative Formats

- Disability Discrimination Act 1995 – 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 01491-576982 or e-mailing enquiries@henleytowncouncil.gov.uk

9. Freedom of Information

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

Appendix A

GUIDANCE ON LOCAL GOVERNMENT INVESTMENTS

Issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003

APPLICATION

1. This guidance is issued to all local authorities as defined in section 23 of the 2003 Act and in regulations made under that section. It applies from 1 April 2004.

DEFINITIONS

2. In this guidance, **2003 Act** means the Local Government Act 2003.

3. An **investment** is a transaction which relies upon the power in section 12 of the 2003 Act and is recorded in the balance sheet under the heading of investments within current assets or long-term investments. The term does not include *pension fund and trust fund investments*, which are subject to separate regulatory regimes and are therefore not covered by this guidance.

4. A **long-term investment** is any investment other than one where the local authority making the investment may require it to be repaid or redeemed within 12 months of the date on which the investment was made.

5. A **credit rating agency** is one of the following three companies:

Standard and Poor's;

Moody's Investors Service Ltd;

Fitch Ratings Ltd.

ANNUAL INVESTMENT STRATEGY

6. A local authority shall, before the start of each financial year, draw up an **Annual Investment Strategy** for the following financial year, which it may vary at any time. The Strategy and any variations are to be approved by the full Council (or at equivalent level in authorities without a Council) and are to be made available to the public.

7. The Strategy should set out the local authority's policies for giving priority to the security and liquidity of its investments, rather than to the yield. In so doing, the Strategy must deal explicitly with the matters specified in paragraphs 9, 10 and 11 of this guidance.

SECURITY OF INVESTMENTS

Specified Investments

8. An investment is a **specified investment** if it satisfies the conditions set out below.

(a) The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling.

(b) The investment is not a long-term investment (as defined in paragraph 4).

(c) The investment does not involve the acquisition of share capital or loan capital in any body corporate.

(d) Either of the following conditions is met:

- (i) The investment is made with the UK Government or a local authority (as defined in section 23 of the 2003 Act) or a parish council or community council.
- (ii) The investment is made with a body or in an investment scheme which has been awarded an investment grade rating (BBB) by a credit rating agency (as defined in paragraph 5).

9. For the purposes of paragraph 8(d)(ii) above, the **Annual Investment Strategy** is to state:

- (a) how **high credit rating** is to be defined for the categories of investments which the local authority intends to use in the financial year
- (b) how frequently credit ratings are to be monitored and what action is to be taken when ratings change.

Non-specified Investments

10. With regard to non-specified investments (ie those not meeting the definition in paragraph 8), the **Annual Investment Strategy** is to:

- (a) set out procedures for determining which categories of such investments may prudently be used
- (b) identify which categories of such investments have so far been identified as prudent for use during the financial year
- (c) state the maximum amounts which may be held in each identified category at any time during the financial year (the maximum being defined by reference to a sum of money or a percentage of the local authority's overall investments).

LIQUIDITY OF INVESTMENTS

11. The **Annual Investment Strategy** is to:

- (a) set out procedures for determining the maximum periods for which funds may prudently be committed
- (b) state the minimum amount which is to be held during the financial year in investments other than long-term investments (the minimum being defined by reference to a sum of money or a percentage of the local authority's overall investments).

*Office of the Deputy Prime Minister 15 December 2003
5/E2 Eland House, Bressenden Place, London SW1E 5DU*