



INVESTMENT STRATEGY, POLICY AND RISK MANAGEMENT
for the 2024/25 financial year

1. Introduction:

- Sevenoaks Town Council (the “Council”) acknowledges the importance of prudently investing cash balances held on behalf of the community.
- Statutory Powers: The Council’s Investment Strategy complies with the revisions set out in:
 - the Statutory Guidance on Local Government Investments (3rd Edition) for financial years commencing 1 April 2018.
 - The Chartered Institute of Public Finance and Accountancy’s (CIPFA) Treasury Management in Public Services: Code of Practice and Cross Sectoral Guidance Notes

2. Reporting, Approval, Review and Amendment

- 2.1. The Council is required to approve an annual Investment Strategy (the “Strategy”) so that borrowing and investments remain prudent, affordable, and sustainable.
- 2.2. The Annual Strategy for the coming financial year will be prepared by the Responsible Finance Officer (“RFO”) and presented initially for approval to the Finance and General Purposes Committee (“F&GP”) before the start of the financial year.
- 2.3. The Council reserves the right to make variation to the Strategy at any time subject to the approval of the Council. Any variations will be made available to the public.
- 2.4. Fund balances and Investment activity is to be reported at every F&GP Meeting.

3. Investment Objectives

- 3.1 The Council’s investment priorities are as follows:
 - Security of reserves i.e., protecting the capital sums invested from loss,
 - Liquidity of its investments i.e., ensuring that funds invested are available for expenditure when needed. Sufficient cash available from the current account should be maintained to cover the Council’s commitments during the period of the investment(s).
 - Yield i.e., the return on investment is considered once the first two objectives are satisfied.
 - All investments will be made in sterling.

4. Policy

- 4.1. The Council’s Strategy requires investment in entities with high credit ratings; short term ratings should be at least A3 or equivalent.
- 4.2. The Council will only invest in ‘Specified’ investments as per the criteria listed below, either directly or via the Insignis Cash platform.
- 4.3. The Council’s policy is to retain not less than £250,000 at the start of each month in its Natwest current account to meet immediate cash needs.
- 4.4. The maximum duration of any investment will be 12 months.

5. Investment Risk

5.1. Risk Management:

Limits

Not more than 40% of the funds are to be placed with any one entity (including any one Low Volatility Net Asset Value Money Market Fund), however authorised officers may use their discretion to increase this to 50%.

Categories

Funds only to be deposited or invested in the following categories of specified investments (as defined by the 2003 Local Government Act):

- a) UK clearing banks or their subsidiaries, together with those former major building societies now banks;
- b) The Treasury Departments of building societies which are members of BSA with assets over £2bn;
- c) Non-UK financial institutions approved by the F&GP;
- d) UK Government stocks;
- e) UK local authority bonds;
- f) The money-market management operations of a UK public body or authority¹, where the council's funds are pooled and invested on the money markets under the name of such UK public body or authority.
- g) Low Volatility Net Asset Value Money Market Funds.

Monitoring of Investment Counterparties

All investments must be in entities with a short-term credit rating of A3. Where no rating is available the F&GP must establish that the entity would have an equivalent rating, were it to be rated.

Ratings are to be monitored not less than quarterly and if the rating of any investment falls below the appropriate rating, the RFO will take the earliest opportunity to withdraw the investment and re-invest the proceeds.

Category (f) should include any investment via Sevenoaks District Council of deferred payment of the half-yearly precept.

5.2. Treasury Management Advice

Given the limited range of potential investments identified it is not considered necessary to engage the services of a treasury management adviser. Independent research including internet research is considered adequate.

5.3. Investment Training

The Guidance recommends that the Strategy should state the process adopted for reviewing and addressing the needs of the authority's treasury management staff for training in investment management.

¹ For example the Public Works Loans Board, or the treasury departments of a county or district local authority.

5.4. Investment of money borrowed in advance of need

- The Guidance maintains that authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.

6. Investment strategy review

6.1. Specified Investments

The Council currently has 7 approved institutions.

All of STC's investments currently fall within the 'specified investments' categories listed above.

Credit ratings are from all three rating agencies but Standard and Poor ratings are listed. Ratings are assessed at least on a quarterly basis. The last review listed was as at January 2024.

Name of Institution	Investment Period	Short Term Credit Rating	Yield
Natwest	1 month rolling	A-1	1.05%
Bank of Scotland	1 month rolling	A-1	0.10%
Handelsbanken	35 Day notice	A-1+	1.9%
Nationwide	Instant access	A-1	0.95%
HSBC	Instant access	A-1	0.85%
Virginmoney	95 Day notice	A-3	1.60%
CCLA Public Sector Deposit Fund	Daily access	AAA (Fitch)	2. (5.38% as at 05/01/24)

CCLA Public Sector Deposit Fund (CCLA Fund)

This is an FCA regulated qualified money market fund with an AAA Fitch rating. The fund is instant access (although access does involve the selling of income shares) with interest paid at the end of each month. It aims to maximise net asset value of the Fund by investing in deposits with a range of highly rated sterling denominated deposits and instruments. The PSDF is a "Qualifying Money Market Fund" (QMMF) which is classed as a "low volatility net asset value" (LVNAV) short-term money market fund under the EU Money Market Funds Regulation. The weighted average maturity of the PSDF's investments will not exceed 60 days.

6.2 Consideration of alternative investments

The Council may wish to introduce additional investments as requirements change, including additional low volatility money market funds, so that funds can be spread more widely (but within reason) in order to minimise financial risk.

Investments through a broker

Investing through a broker would allow access to borrowers which may not be accessible directly. Brokers furnish an introduction to available funds and provide information and facilitate the administration of opening accounts. It is proposed to open an account with Insignis Cash, a deposit platform authorised by the FCA for the provision of payment services. This will permit access to a wider range of authorised borrowers.

Adopted at Finance & General Purposes Committee - 15.Jan 24

The credit risk created by using Insignis will lie with the underlying borrowers plus Barclays Bank which operates the transfer “hub” for payments and receipts.

In order to facilitate operating this account it is proposed that the RFO in conjunction with the Chair and Vice Chair of F&GP are authorised to approve regulated borrowers who meet the minimum of A3 credit rating and are on the pre-approved list which will be agreed at F&GP.

6.3 2024/25 Budget

- 2024/25 Budget includes income from interest of £30,000.

The Bank of England Base Rate is 5.25 and this rate is expected to decline slowly.

Recommendations

Having considered the current Guidance, the Council’s cash flow and investment requirements, it is recommended that:

- Members adopt this Investment Strategy for 2024/25.