



BODMIN TOWN COUNCIL

ANNUAL INVESTMENT STRATEGY 2011/12

1 Introduction

1.1 Bodmin Town Council acknowledges the importance of prudently investing the temporarily surplus funds held on behalf of the community.

1.2 This Strategy complies with the revised requirements set out in the Office of the Deputy Prime Minister's *Guidance on Local Government Investments* and Chartered Institute of Public Finance and Accountancy's *Treasury Management in Public Services: Code of Practice and Cross Sectoral Guidance Notes* and takes account of the Section 15(1) (a) of the Local Government Act 2003 and best practice from the National Association of Local Councils and CIPFA.

2. Investment Objectives

2.1 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.

2.2 The Council's investment priorities will be centred on the security of reserves and whilst also providing sufficient liquidity and profit.

2.3 All investments will be made in sterling.

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

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

3 Specified Investments

3.1 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 the UK Government or a local authority or town or parish council will automatically be Specified Investments.

3.2 For the prudent management of its treasury balances,

maintaining sufficient levels of security and liquidity, Bodmin Town Council will use:

- Deposits with banks, building societies, local authorities or other public authorities
- The debt management agency of HM Government.

Any short term surplus will be invested with the HSBC MoneyMaster Account in order to maximise the return.

4 **Non-Specified Investments**

4.1 These investments have greater potential risk – examples include investment in the money market, stocks and shares.

4.2 Given the unpredictability and uncertainties surrounding such investments, Bodmin Town Council will not use this type of investment.

5 **Liquidity of Investments**

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

5.2 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 over to the counterparty.

6 **Long Term Investments**

6.1 Long term investments are defined in the Guidance as greater than 36 months.

6.2 When investing in Corporate Bonds and/or Government Bonds the Credit Rating alone is not sufficient to make an investment, it needs to be reviewed within the context of the wider financial economic information available and advice

6.3 In order to improve the return on its investments and in light of low interest rates available with specified investments (section 3). The Council will be entering a Short Maturity Portfolio with the HSBC Fixed Income Service. This service provides the necessary security whilst improving return and providing the necessary liquidity should the Council require the funds at short notice. For more information on the details of this arrangement please see Annex 1.

7 **Reporting on Investment Performance**

- 7.1 Investment performance statements will be circulated once a quarter to the Finance, Staffing and Performance Management (FSPM) Committee.
- 7.2 The Council will ensure that the FSPM Committee Members and the Responsible Finance Officer have sufficient training to underpin their responsibilities to scrutinise this treasury management function.
- 7.3 Investment forecasts for the coming financial year were accounted for when the budget was prepared. At the end of the financial year, the Responsible Finance Officer will report on investment activity to the FSPM Committee.

8 **Review and Amendment of Regulations**

- 8.1 This Strategy will be reviewed annually. The Annual Strategy for the coming financial year will be prepared by the Responsible Finance Officer and presented for approval by the FSPM committee.
- 8.2 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.

9 **Alternative Formats**

- 9.1 Disability Discrimination Act 1995 – copies of this document in large print (A3 Format) or larger font size, or recorded onto tape as a 'talking book' can be made available for those with sight impairment on request from the Council Office or by telephoning 01208 74159 or e-mailing anne.mcauley@bodmin.gov.uk
- 9.2 The Council can also arrange to provide versions in other languages.

10 **Freedom of Information**

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

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Annex 1

The HSBC Fixed Income Service

The Short Maturity Portfolio is created from investment grade bonds, which are denoted as AAA to BBB- or equivalent as determined by at least one third part rated agency. It will comprise of a selection of corporate and/or government bonds of varying maturities.

Where investment ratings differ (split rating) then the lowest rate will apply.

The portfolio is constructed with the Councils investment needs, tolerance of risk and investment time horizon in mind. When selecting the bonds for investment, consideration is given in view on macro factors like the state of the economy, view on interest rates, inflation etc as well as more micro factors like the credit quality, rating outlook, risk return analysis etc.

Since this is a fixed income service only, there will be no investment in equities, commodities or alternative investments.

The HSBC Fixed Income Service is an investment grade service benchmarked against Citigroup Euro sterling 1-5yr BBB- and better. The benchmark consists of a broad cross section of Investment Grade Corporate and Government bonds between 1 and 5 years in duration, however, this does not preclude HSBC from investing in inflation linked bonds or bonds of longer maturities.

HSBC Global Asset Management are authorised and regulated by the Financial Services Authority.