

NORTHLEACH WITH EASTINGTON TOWN COUNCIL

Treasury Management Strategy

1. Overview

This document sets out the Treasury Management Policy and Strategy for Northleach with Eastington Town Council (the Council) in accordance with requirements set out in statutory guidance on Local Government Investments¹, and the Local Government Act 2003².

The CIPFA Treasury Management Code of Practice defines Treasury Management 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.’

The Council is committed to effective Treasury Management to ensure that:

- It maintains the security of its cash balances whilst retaining sufficient liquidity to meet its revenue spending plans.
- Any Capital expenditure plans are affordable
- Any external borrowing and other long-term liabilities are within prudent and sustainable levels.

2. Investment Strategy

2.1. Background

The Council acknowledges the importance of prudently investing any cash balances that it holds on behalf of the community during the course of normal business.

In accordance with Section 15(1) of the Local Government Act 2003, the Council will have regard to any guidance and regulations that the Secretary of State may issue.

2.2. Investments

The Council’s investment priorities are the security of its cash reserves and the liquidity of its investments. The Council will aim to achieve the optimum return on its investments commensurate with appropriate levels of risk management and the security and liquidity of its cash balances.

The Council is committed to the prudent management of its treasury balances which will mean maintaining sufficient levels of security and liquidity.

Specified Investments are those offering high security and high liquidity, made in sterling, with a maturity of no more than one year.

¹

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/678866/Guidance_on_local_government_investments.pdf

² <https://www.legislation.gov.uk/ukpga/2003/26/contents>

The Council will only make deposits in specified investments with UK High Street Banks and Building Societies and other UK Government Authorities. The Council's deposits are currently held with:

- Lloyds Bank plc Current Account
- Lloyds Bank plc Westwoods Account
- Lloyds Bank plc Deposit Account
- Nationwide Building Society

Non-Specified Investments have greater potential risk – examples include investment in currencies, commodities, and stocks and shares. Given the unpredictability and uncertainties surrounding such investments, the Council will not use this type of investment.

The 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 any such activity.

2.3. Liquidity

The Council will aim to hold no more than three month's planned expenditure in the current account.

The Responsible Finance Officer (RFO) will determine the maximum periods for which short term funds may prudently be committed so as not to compromise liquidity or breach the Council's risk limit parameters.

The RFO is given delegated authority to transfer balances of up to **£10,000** between existing accounts held by the Council without seeking the prior approval of the Council in order to ensure there is sufficient liquidity in the current account to meet monthly expenses. The Town Council will be informed of the details of these cash transfers at its next meeting.

2.4. Long Term Investments

Long-term investments are defined in the guidance as greater than one year in duration.

Any decisions to make long term investments will be made by the full Council, which will agree the amount and length of investment.

No such investments are planned in the current financial year.

The security of all such investments will be the paramount considerations before the yield arising from any such investment which may be made.

2.5. Risk Assessment

Parish and Town Council deposits became eligible for protection under the Bank of England's Financial Services Compensation Scheme (FSCS) in July 2016.

To be fully protected, an organisation should have no more than £85,000 on deposit with any one Prudential Regulation Authority (PRA) authorised company.

Therefore, the Council will limit the total deposits with each party to £85,000 to afford the fullest possible protection under the FSCS.

Where the FSCS is not applicable, the Council will only invest in bodies with a high credit rating. Where credit ratings are used, the Council will first ascertain how frequently they are monitored and the procedures for taking action if credit ratings change.

Any departure from this approach will need the approval of Full Council.

2.6. Reporting on Investment Performance

Where applicable, investment performance statements and the Council's investment portfolio will be reported each quarter to the Finance Committee.

Investment forecasts for the coming financial year will be accounted for when the annual budget is prepared and if revised during the financial year.

At the end of the financial year, the RFO will produce a summary report on investment activity to the Finance Committee and Full Council.

3. External Borrowing

The Council acknowledges that there may be times when it needs to borrow money to support its capital expenditure priorities.

The Council will only agree borrowing for specific capital projects, as defined in Section 16 of the Local Government Act 2003.

Before a council can borrow a sum of money, it must obtain a borrowing approval from the Secretary of State. The application is submitted via the Gloucestershire Association of Parish and Town Councils (GAPTC) who will review the application, make sure it is complete and forward it for approval.

The process to be followed and the criteria applied in deciding whether borrowing approvals likely to be forthcoming, are detailed in the Guide to Parish and Town Council Borrowing in England, published by National Association of Local Councils (NALC) and the Department for Communities and Local Government (now called MLUHC).

The Council does not currently have any external borrowing and is not considering any external borrowing in the current financial year.

The Council will have due regard for the criteria for external borrowing and the requirement for consultation with the electorate before it considers applying for any loan.

All such borrowing applications must be approved by Full Council.

4. Adoption and Review

This document will be reviewed annually by the Finance and General Resources Committee.

Version	Change description	Adoption date
1.0	First issued	23 January 2019
1.1	Annual review	12 October 2021