Neston Town Council

TREASURY MANAGEMENT POLICY

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1. INTRODUCTION

1.1 Treasury Management is defined by the CIPFA Treasury Management Code of Practice 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". This Policy should be read in conjunction with the Council's Financial Regulations.

1.2 Where a Town Council's long-term investments exceed £500,000 it is required by the Local Government Act 2003 to determine an annual Investment Strategy. Although Neston Town Council is unlikely to have investments above this level, it recognises the importance of prudently investing the temporary surplus funds held on behalf of the community and considers it appropriate to include reference to the investment of surplus funds (and borrowing) within this Treasury Management Policy.

1.2.1 The purpose of this Policy is to ensure that:

- any and all external borrowing and other long-term liabilities are within prudent and sustainable levels;
- treasury management decisions are taken in accordance with good professional practice.
- Capital expenditure plans are affordable.

1.3 The Policy must be approved by the Council but may be varied from time to time as circumstances dictate. It will be a public document as defined by the Freedom of Information Act 2000.

1.4 Neston Town Council will also from time to time need to borrow money which, whilst it may borrow by temporary loan or overdraft to meet expenses pending the receipt of revenues receivable, will more likely be required to meet capital expenditure.

1.5 Managing and reviewing treasury management risk will be a routine part of the Council's overall risk management.

1.6 Reviewing treasury management techniques will become a routine part of the Councils Quality Policy.

2.0 INVESTMENT STRATEGY

2.1 Neston Town Council will from time to time have surplus funds available. These funds arise from the fact that 100% of the annual precept is paid to the Council in April each year, to cover expenses incurred throughout the year. In addition, there will be a level of reserves, both general and earmarked which may be added to at the end of each year, representing either a deliberate transfer to anticipate future expenditure or the extent to which expenditure has fallen below resources available during the year.

2.2 It is important that such funds are invested prudently with due regard to the Council Tax payers. Investments will be subject to the principles of Security, Liquidity and Yield (SLY), in that order. Security involves investing in a way which minimises the risk of the Council losing its investment. Liquidity is the extent to which the investment is readily available to meet unexpected commitments. Yield is the level of interest earned on the investment. In summary the Council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

2.3 The Council will monitor the risk of loss on investments by review of credit ratings on a regular basis. The Council will only invest in institutions of high credit quality – based on information from credit rating agencies. If the rating falls, consideration of the appropriate action to be taken will be given at the next Council or Finance and Administration Committee meeting.

Investments will be spread over different providers to minimise risk. The current Financial Services Compensation Scheme (FSCS) limit is £85,000 per institution licence. It should be noted that some apparently different banks trade under the same licence.

2.4 All of the Town Council's investments will be Specified Investments, which means that they will be:

a) made in sterling and any payments or repayments will also be in sterling;
b) short term investments, not to exceed 12 months;
c) made with a body or an investment scheme which has been awarded a "high credit rating" by a credit rating agency.

2.5 In general terms, the Council will only invest in deposits with United Kingdom banks, building societies, local authorities or other public authorities. As a result of the uncertainty and unpredictability involved, the Council will not invest in the money market, stocks and shares.

2.6 The Responsible Financial Officer (RFO) in consultation with Mayor, Deputy Mayor and Chairman of Finance & Administration, has delegated responsibility for the investment of surplus funds within the terms of this Strategy.

2.7 The Council will consider investing a proportion of surplus funds with the Public Sector Deposit Fund (Churches, Charities and Local Authorities-CCLA) which has the aim of: "to maximise current income consistent with the preservation of principal and liquidity by investing in a diversified portfolio of high-quality sterling denominated deposits and instruments. The primary objective is to maintain the net asset value of the Fund at par (net of earnings)".

2.8 The Council is not currently anticipating any long-term Investments. Long term investments are defined in the Guidance as greater than 36 months. As resources build up, this position will be reviewed.

2.9 In investing surplus funds, due regard will be taken of anticipated cash flow needs in any financial year, with the purpose of ensuring that funds are always available to meet day to day commitments. Cash flow projections will be prepared by the RFO on a regular basis and will be used to inform investment decisions. ensuring that these are adequate for the purposed of monitoring and managing liquidity risk.

2.10 A report on investments and returns will be submitted quarterly to the Finance & Administration Committee. In addition, at the end of each financial year, the RFO will prepare a report on investment activity for consideration by the Council.

2.11 The Council also has fidelity insurance cover in place which covers the loss of cash by fraud or dishonesty, currently up to a maximum of £500,000. This will be increased as necessary and will be calculated as the average total reserve figure for the year plus half of the precept.

3.0 EXTERNAL BORROWING

3.1 No borrowing approval is required for temporary loans or borrowing by way of an overdraft. Such loans are unlikely to be required to meet expenses pending the receipt of revenues due within a financial year, unless there is a major unexpected demand on available cash flow.

3.2 However, in order to borrow to fund capital expenditure approval must first be given by the Department for Levelling Up, Housing & Communities. The process to be followed and the criteria applied in deciding whether or not approval should be forthcoming are detailed in the Guide to Parish and Town Council Borrowing in England, jointly published by the Department and NALC.

3.3 No such borrowing will be undertaken without prior approval from the Council of a full report by the Town Clerk detailing the project for which the loan will be required, the reasons why borrowing is necessary and the impact on the revenue budget of the Council.

3.4 Councils are not authorised to borrow money purely to invest or to lend and make a return and the Council will not engage in such activity.

3.5 The Council has adopted the following principles to moderate borrowing:

- Any unallocated balances including and where appropriate capital receipts beyond those required for the prudent financial management of the council, should be used in any project for which the borrowing is required.
- The Council will have a realistic budget for the servicing and repayment of the debt, taking into account the future effect on the council's precept and cashflow.
- The Council will not mortgage or charge any of its property as security for money borrowed unless the loan is to purchase the property.
- The Council will look around for the best possible terms when borrowing but will usually use the Public Works Loan Board (PWLB). The Council feels that the fixed

term rates offered by the PWLB are relatively cheap and that PWLB loans are most likely to offer stability for the financial planning of the council.

- Period of Loan: The Council will determine the period of each loan which should not exceed the period for which the expenditure is forecast to provide benefit to the Council i.e., useful life of the asset.

3.6. The Council will only consider the early repayment or rescheduling of dept where there is a sound business case to do so.

3.7. The Council currently has no external borrowing.

4.0 BANKING

4.1 The Council has the following bank accounts.

- A Current Account with Unity Bank in to which all money received is paid from which all payments are made. This will in future link with an investment account thereby allowing automatic transfer of money not immediately required. A minimum limit of £75,000 is to remain in the current account, with surplus funds to be transferred to the investment account.
- An Investment Account with Unity Bank (dependent on whether investment income outweighs charges). This will be the source of money for other investments set out in the policy. It will also be set up to automatically top up the Current Account to the transfer level.
- A Debit Card Account with Equals to maintain a stated level for the debit cards used by the Council Manager, Operations and Governance Officer and Senior Markets & Support Coordinator.
- Higher Interest Account at Cooperative Bank.

4.2 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.

4.3 Money Laundering: The Council is alert to the possibility that it may become subject to an attempt to involve it in a transaction involving the laundering of money. The Council will maintain procedures as far as is practicable for verifying and recording the identity of counterparties. However, it should be stressed that the vast majority of the Council's cash taking activities are limited in nature, involve relatively small amounts of money and are generally from sources well known to the Council.

4.4 Use of External Service Providers: The Council does not currently use external service providers in relation to the operation of the Treasury Management function. The likelihood of using external service providers is not immediately anticipated due to the size and nature of the Council. However, it does recognise the potential valued in employing external providers of treasury management services, if required, in order to access specialist skills and resources.

4.5 Authorisation for the release or transfer of funds will be in accordance with Financial Regulations.

4.6 No Officer/Member will be authorised by the bank to move cash to third party bank accounts.

5.0 RESERVES POLICY

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

A. A sum approximately equal to 25% of its Net Revenue Expenditure will be maintained as the General (non-ear marked) Reserve, in accordance with good practice.

B. A rolling capital reserve will be built up to meet any needs identified in its Medium-Term Financial Forecasts or for unexpected expenditure or emergencies.

C. Other reserves which are ear-marked for specific purposes or future development, or to meet commitments, will be maintained as necessary.