

FERRYHILL TOWN COUNCIL



POLICY

TREASURY MANAGEMENT

1.0 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”

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 Ferryhill Town Council is unlikely ever to have investments above this level, it is considered appropriate to include reference to the investment of surplus funds (and borrowing) within this Treasury Management Policy.

1.3 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; and
- treasury management decisions are taken in accordance with good professional practice.

1.4 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.

1.5 Ferryhill 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 invariably be required to meet capital expenditure.

2.0 INVESTMENT STRATEGY

2.1 Ferryhill Town Council will from time to time have surplus funds available. These funds arise from the fact that 50% of the annual precept is paid to the Council in April and October each year, to cover expenses incurred throughout the year. In addition, there will be a level of reserves at the end of each year, representing the extent to which expenditure has fallen below resources available over the years.

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.

2.3 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. A credit rating agency will be taken as one of the following:

Standard and Poor's
Moody's Investors Services Ltd
Fitch Ratings Ltd

- 2.4 High credit rating will be defined as "A – High Credit Quality"
- 2.5 Credit ratings will be monitored regularly and if the rating falls, consideration of the appropriate action to be taken will be given at the next Council meeting.
- 2.6 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.
- 2.7 The Town Clerk, as Responsible Financial Officer, has delegated responsibility for the investment of surplus funds within the terms of this Strategy.
- 2.8 The Council acknowledges that borrowing money purely to invest, or to lend and make a return, is unlawful and this practice will not be followed.
- 2.9 Currently, a proportion of surplus funds is invested with the Public Sector Deposit Fund.
- 2.10 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.
- 2.11 A report on investments and returns will be submitted quarterly to the Corporate Governance Committee. In addition, at the end of each financial year, the Town Clerk will prepare a report on investment activity for consideration by the Council.

3.0 EXTERNAL BORROWING

- 3.1 No borrowing approval is required for temporary loans or borrowing by way of an overdraft. These loans may be required to meet expenses pending the receipt of revenues due within a financial year.
- 3.2 However, in order to borrow to fund capital expenditure approval must first be given by the Department for Housing, Communities and Local Government. 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.

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- 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.

4.0 REVIEW

- 4.1 This Treasury Management Strategy will be reviewed annually by the Council-