

Treasury Management Strategy 2017/18

1. Overview

This document sets out the Treasury Management Policy and Strategy for Brickhill Parish Council for 2017/18 in accordance with requirements set out in DCLG Guidance on Local Government Investments, the CIPFA Code of Practice on Treasury Management in Public Services, and the Local Government Act 2003 ('LG Act').

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
- Treasury Management decisions are taken in accordance with good professional practice.

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.'*

2. INVESTMENT STRATEGY

2.1 Introduction

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

In accordance with Section 15(1) of the LG Act, the Council will have regard to any guidance and regulations that the Secretary of State for Communities and Local Government 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 proper levels of risk management and the security and liquidity of its cash balances.

Any investments made will be made in sterling.

The Department for Communities and Local Government (DCLG) maintains that borrowing of monies purely to invest or to lend and made a return, is unlawful and this Council **will not engage** in any such activity.

2.3 Specified Investments

Specified Investments are those offering high security and high liquidity, made in sterling, with a maturity of no more than 1 year. Any short term investments which may be made with the UK Government or another Local Authority, Town or Parish Council are automatically classified as Specified Investments under the LG Act.

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

During 2017/18 the Council will only make deposits in:

- Deposits with the following UK High Street Banks and Building Societies
 - THE CAMBRIDGE BUILDING SOCIETY
 - CO-OPERATIVE BANK
 - STAFFORD RAILWAY BUILDING SOCIETY
 - HSBC PLC
 - LLOYDS BANKING GROUP
 - ROYAL BANK OF SCOTLAND GROUP
 - BARCLAYS BANK PLC
 - NATIONWIDE BUILDING SOCIETY
 - UNITY TRUST BANK
 - TRIODOS BANK
- Other UK Local Government Authorities

The total of current deposits with each of these counterparties will be limited to £85k to afford the fullest possible protection under the Bank of England's Financial Services Compensation Scheme (FSCS) protects cash investments up to £85,000 per depositor per Prudential Regulation Authority (PRA) authorised bank or building authority. In order to be fully protected, an organisation should have no more than £85,000 on deposit with any one banking authority.

Parish and Town Council deposits became eligible for protection under the FSC Compensation Scheme in July 2016.

Any departure from this strategy will need the approval of the full Parish Council.

The RFO is given the power to transfer balances between existing accounts held by the parish council without seeking the prior approval of the parish council in order to ensure there is sufficient liquidity in the current account to meet monthly expenses. The parish council will be informed of the details of these cash transfers at its next meeting.

Non-Specified Investments

These investments have greater potential risk – examples include investment in currencies, commodities and, stocks and shares.

Given the unpredictability and uncertainties surrounding such investments, Brickhill Parish Council will not use this type of investment.

2.4 Liquidity of Investments

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.

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 relevant counterparty.

2.5 Long Term Investments

Long term investments are defined in the DCLG Guidance as greater than 1 year in duration.

Any decisions to make long term investments will be made by the full Parish Council, which will agree the amount and length of investment. In 2017/18 no such investment shall exceed 3 years in length. The security and liquidity of all such investments will be the paramount considerations before the yield arising from any such investment which may be made.

2.6 Reporting on Investment Performance

Investment performance statements and the Council's investment portfolio will be reported each quarter to the full Parish Council.

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 Advisory Group and the full Parish Council.

3. EXTERNAL BORROWING STRATEGIES

3.1 Introduction

The Council acknowledges that there may be times when it needs to seek borrowing approval to support its capital expenditure priorities.

The Parish Council will only agree borrowing for specific capital projects (as defined in Section 16 of the LG Act). It will need to gain approval for borrowing by sending an application to the Bedfordshire Association of Town and Parish Councils (BATPC), who will review the application, make sure that it is complete in every aspect and then forward it to DCLG for approval. All such borrowing applications must be approved by the full Parish Council.

3.2 Principles

Before a council can borrow a sum of money, it must first receive an approval to borrow (loan sanction) from the Debt Management Office of the Department for Communities and Local Government (DCLG), unless it is for a temporary loan or overdraft from a bank or otherwise of sums which the council may temporarily require to meet revenue expenditure pending the receipt of income in the short term.

The process to be followed and the criteria applied in deciding whether or not borrowing approvals likely to be forthcoming, are detailed in the Guide to Parish and Town Council Borrowing in England, jointly published by the DCLG and NALC¹.

The Council is only authorised to borrow a maximum of £500,000 in any single financial year for any single purpose.

- Borrowing should only be used for the purpose of Capital expenditure as defined by section 16 of the LG Act 2003.
- The borrowing amount should not be less than £5 multiplied by the number of local government electors in the area of the Council on the first day of the financial year (1 April).
- Any unallocated balances including, where appropriate capital receipts beyond those required for the prudent financial management of the council, should be used in the project for which the borrowing is required.
- The Council should have a realistic budget for the servicing and repayment of the debt, taking into account the future effect on the council's precept and cash flow
- The Council must not mortgage or charge any of its property as security for money borrowed.

3.3 Interest Rates

The Council will research the best possible terms when investigating borrowing but usually this will be the Public Works Loan Board. (PWLB). The fixed term rates offered by the PWLB usually provide best value and borrowing from the PWLB normally provides the best way forward for the stability of financial planning for the Council.

3.4 Period of Loan

The Council will determine the period of the loan which should not exceed the period for which the expenditure is forecast to provide benefit to the Council that is the useful life of the asset.

The maximum period will begin on the date on which the money is borrowed, and will be;

- 50 years for acquisition of, or work on or to, land, buildings, roads or structures or
- 10 years in all other cases.

3.5 Current External Borrowing

The Parish Council does not currently have any external borrowing.

4. Reviews and Amendment of Regulations

The Treasury Management Strategy will be reviewed annually by the Finance Advisory Group and ratified by the full Parish Council in January each year.

¹ http://www.brickhillparishcouncil.gov.uk/pdf/nalc/nalc_borrowing_approval_system.pdf