

## LISKEARD TOWN COUNCIL

### TREASURY MANAGEMENT INVESTMENT STRATEGY 2016/17

#### 1. OVERVIEW

This document gives guidance on investments and borrowing by Liskeard Town Council in accordance with 'the Local Government Act 2003'. It highlights that the Council is committed to sound Treasury Management practices to ensure that:

- Treasury Management decisions are taken in accordance with good professional practice,
- Capital expenditure plans are affordable, maintain the capital value of assets and aim to increase income streams, and
- All external borrowing and other long-term liabilities are within prudent and sustainable levels.

The Chartered Institute of Public Finance and Accountancy (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. INTRODUCTION

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

2.2 This Strategy complies with the revised requirements set out in the Department for Communities and Local Government (formerly the Office of the Deputy Prime Minister) Guidance on Local Government Investments and Chartered Institute of Public Finance and Accountancy's Treasury Management in Public Services: Code of Practice and Cross Sector 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 (NALC) and CIPFA.

2.3 Where the Council also administers trust funds for the purposes of awarding grants within the community, the same principles will be applied.

#### 3. INVESTMENT OBJECTIVES

- 3.1 ~~In accordance with Section 15 (1) of the 2003 Act, the Council will have regard to (a) such guidance as the Secretary of State may issue and (b) such other guidance of the Secretary of State may by regulations specify.~~
- 3.2 The Council's investment priorities are the security of reserves and liquidity of its investments. The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. Such investments will only be made having sought advice where appropriate.
- 3.3 All investments will be made in sterling.
- 3.4 The Department for Communities and Local Government (DCLG) maintains that borrowing of money purely to invest or to lend and make a return is unlawful and the Council will not engage in such activity.
- 3.5 Where external investment managers are used, they will be contractually required to comply with the Strategy.
- 3.6 The amount of any specified investment can be up to 100% of the Council's available funds for investing.

#### **4. SPECIFIED INVESTMENTS**

- 4.1 Specified investments are those offering high security and high liquidity made in sterling and maturing in no more than a year. Such short-term investments made with the UK Government or a Local Authority or Town and Parish Council will automatically be specified investments.
- 4.2 For the prudent management of its treasury balances maintaining sufficient levels of security and liquidity, the 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 in this way in order to maximise the return.

The Council's current investments are with HSBC Bank PLC, Lloyds Bank PLC, **United Trust Bank and Cornwall Council** which provides a secure yield rate of interest and liquidity.

#### **5. NON-SPECIFIED INVESTMENTS**

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

5.2 Given the unpredictability and uncertainty surrounding such investments the Council will **does not currently** use this type of investment.

## 6. LIQUIDITY OF INVESTMENTS

6.1 The Finance, **Economic Development** & General Purposes Committee will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.

## 7. LONG TERM INVESTMENTS

7.1 Long term investments are defined in the Guidance as greater than 12 months, and are classed as capital expenditure.

7.2 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.

7.3 The Council **does not currently** hold any funds in long term investments. Such investments will only be made having sought advice where appropriate.

## 8. **CURRENT RESERVES**

**The Council's current reserves as at 1st April 2016 consist of the following:**

HSBC Current Account	£236,211
Lloyds Current Account	£ 17,779
Lloyds Debit Card Account	£ 237
Lloyds Business Investment	£135,749
Lloyds High Interest Account	£110,000
<b>Total</b>	<b>£499,976</b>

## 9. REPORTING ON INVESTMENT PERFORMANCE

9.1 Investment performance statements will be circulated regularly to the Finance, **Economic Development** & General Purposes Committee.

9.2 The Council will ensure that the Committee and RFO have sufficient training to underpin their responsibility to scrutinise this treasury management function.

9.3 Investment forecasts for the coming year were accounted for when the budget was prepared. At the end of the financial year the RFO will report on investment activity to the Committee.

## 10. EXTERNAL BORROWING

## 10.1 Introduction

The Council acknowledges the importance of borrowing funds and the financial impact on the Council and the local community. The Council will agree borrowing for specific capital projects (as defined in section 16 of the 2003 Act), and gain approval for borrowing by sending an application to NALC. All borrowings must be approved by full council.

## 10.2 Principles

Before a council can borrow a sum of money, it must first receive an approval to borrow (loan sanction) from the Ministry of Housing, Communities and Local Government (MHCLG) ~~the Secretary of State by way of the 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.

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

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 NALC. The Council will ensure the following criteria when considering requesting a borrowing approval:

- The borrowing should only be used for the purpose of Capital expenditure as defined by Section 16 of the Local Government 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 current 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, considering 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.

## 10.3 Interest Rates

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 offer stability for the financial planning of the council.

## 10.4 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. 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.

#### 10.5 Current External Borrowing

The Town Council currently has no external borrowing.

#### 10.6 Further Anticipated External Borrowing

The Council has no plans currently to incur capital expenditure which will require a loan sanction or external borrowing.

### 11. REVIEW AND AMENDMENT OF REGULATIONS

- 11.1 This Strategy will be reviewed annually. The annual Strategy for the coming year will be prepared by the RFO and presented for approval by the Finance, **Economic Development** & General Purposes Committee.
- 11.2 The Council reserves the right to make variations to the Strategy at any time subject to the approval of Full Council. Any variations will be made available to the public.

### 12. FREEDOM OF INFORMATION

- 12.1 In accordance with the Freedom of Information Act 2000 this document will be posted on the Council's website [www.liskeard.gov.uk](http://www.liskeard.gov.uk)

Adopted by the Finance and General Purposes Committee 15<sup>th</sup> November 2016

To be reviewed November 2017

**UPDATE**