

# Annual Treasury Management Strategy

RESPONSIBLE COMMITTEE: P&F

---

This is a policy/procedure document of Saltash  
Town Council to be followed by both Council  
Members and Employees. <sup>1</sup> Last updated 03/2024

---

<b>Current Document Status</b>			
<b>Version</b>	2024/25	<b>Approved by</b>	FTC
<b>Date</b>	07.03.2024	<b>Responsible Officer</b>	RFO
<b>Minute no.</b>	367/23/24c	<b>Next review date</b>	Annual or as required

<b>Version History</b>					
<b>Date</b>	<b>Version</b>	<b>Author/ editor</b>	<b>Committee/ date</b>	<b>Minute no.</b>	<b>Notes</b>
02/2020	2020-21	SE/AJT			New (Formerly Annual Investment Strategy)
02/2021	2021-22	SE	FTC 03.06.2021	74/21/22i	Readopted
02/2022	2022/23	RFO	FTC 03.03.2022	451/21/22c	Annual review
05/2022	2022/23	RFO	ATM 05.05.2022	54/22/23f(ii)	Readopted
05/2023	2023/24	RFO	ATM 04.05.2023	28/23/24b(vi)	Readopted
02.2024	2024-25 DRAFT	SB	P&F 27.02.2024	156/23/24b(6)	Reviewed for recommendation to FTC 03.2024
03.2024	2024	SB	FTC 07.03.2024	367/23/24c	Recommendation from P&F. Approved

<b>Document Retention Period</b>
Until superseded

# Treasury Management Strategy

## Overview

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

- Capital expenditure plans are affordable.
- 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.

The Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Cost of Practice defines Treasury Management as:

“The management of the organisation’s borrowing, investments and cash flows, it’s 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”.

# Annual Investment Strategy 2024/25

## 1. Introduction

1.1. Saltash Town Council (the Town Council) acknowledges the importance of prudently investing the surplus funds held on behalf of the community.

1.2. This strategy Complies (as appropriate) with legislation including the revised requirements set out in the Guidance on Local Government Investments issued by the Secretary of State for Housing Communities and Local Government in 2018 for periods after 1<sup>st</sup> April 2018.

In accordance with Section 15 (1) of the Local Government Act 2003 Act, the Town Council will have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify.

The Local Government Act 2003 states that a local authority may invest:

- For any purpose relevant to its functions under any enactment
- For the purpose of prudent management of its financial affairs.

1.3. This Strategy complies with the requirements set out in:

- The Department of Communities and Local Government Guidance on Local Government Investments
- Section 15 (1) (a) of the Local Government Act 2003
- Guidance within Governance and Accountability for Local Councils

Investments are defined as all the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit.

## 2. Policy

2.1 This strategy establishes formal objectives, policies and practices and reporting arrangements for the effective management and control of the Town Council's treasury management activities and the associated risks and should be read in conjunction with the Town Council's financial regulations.

### **3. Investment Objectives**

- 3.1 Both the CIPFA Code and the DCLG Guidance require the Town Council to invest its funds prudently, and to have regard to the security (protecting the capital sum from loss) and liquidity (ensuring funds are easily available when required) of its investments before seeking the highest rate of return/yield.
- 3.2 The Town Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The Town Council will therefore aim to achieve the optimum return on its investments commensurate with appropriate levels of security and liquidity.
- 3.3 The Town Council's investment priorities therefore are, in order of importance:
- the security of its reserves
  - the adequate liquidity of its investments
  - the return (yield) on investments.
- 3.4 All investments will be made in sterling.
- 3.5 The Department for Communities and Local Government maintains the borrowing of money purely to invest or to lend and make a return is unlawful and the Town Council will not engage in such activity. The Town Council will take account of and seek to invest, where appropriate, to support high social, environmental and other ethical standards.
- 3.6 Investment limits are set by reference to the lowest published long-term credit rating from Fitch Rating Ltd, Moody's Investors Service Ltd or Standard & Poor's.

Credit ratings are obtained and monitored by the Finance Officer who advises the Town Council on appropriate credit criteria and will also notify changes in credit ratings as they occur.

However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

3.7 The Town Council may invest its surplus funds with any of the counterparty types below, subject to the cash limits (per counterparty) and time limits shown:

- Call accounts which provide instant access, notice accounts and term deposits with UK banks and building societies on an unsecured basis\*: with a credit rating of A- (A minus) or higher: £1.5 million up to a maximum period of 1 year
- Pooled Funds including Money Market Funds: £1.5 million per fund (note: these funds do not have a maturity date).

\*It should be noted that call/notice accounts and term deposits are not secured on the bank's or building society' assets. These investments are subject to the risk of credit loss via a bail-in should the banking regulator determine that the institution is failing or likely to fail.

3.8 Investments in pooled funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds offering same-day liquidity and very low or no volatility provide an alternative to instant access bank accounts.

3.9 The Town Council will monitor the risk of loss on investments by regularly reviewing credit ratings across the three main agencies. The Town Council will only invest with institutions deemed to be of 'high credit quality' based on rating agency information (see 4.1 below).

3.10 Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made
- any existing investments that can be recalled or sold at no cost will be
- full consideration will be given to the recall or sale of all other existing investments with the affect counterparty.

3.11 The Town Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other information, including credit default swaps, financial statements, information on potential government support, and reports in the financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet credit rating criteria.

3.12 Investments will be spread over different providers in line with agreed limits in order to reduce counterparty risk.

#### **4. Specified Investments**

4.1 The DCLG Guidance defines specified investments as those:

- denominated in pound sterling due to be repaid within 12 months of arrangement
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of 'high credit quality'

- 4.2 The Town Council defines 'high credit quality' organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds 'high credit quality' is defined as having credit rating of A- or higher.
- 4.3 Specified investments typically offer lower risk and higher liquidity. All investments made by the Town Council will be denominated in sterling and for no more than 12 months. Such short-term investments made with the UK Government, a local authority or a Town/Parish Council will be specified investments.
- 4.4 For the prudent management of its treasury balances, including maintaining sufficient levels of security and liquidity, the Town Council will place deposits with banks, building societies, local authorities and other public authorities/bodies.
- 4.5 The choice of institution and length of deposit will be at the discretion of the Policy and Finance Committee.
- 4.6 Saltash Town Council's current investments are with Barclays Bank, Lloyds Bank, Nationwide, Cornwall Council and CCLA Public Sector Deposit Fund (see Appendix A). As part of the strategy, investments are spread across different counterparties in order to reduce counterparty risk.
- 4.7 Day-to-day banking is with Barclays Bank Plc. We hold around 5% of the annual operational expenditure in the current account for cash flow purposes.

## **5. Non-specified Investments**

- 5.1 Any investment not meeting the definition of a specified investment is classed as non-specified. The Town Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares.

- 5.2 Non-specified investment will therefore be limited to long-term investments (i.e. those that are due to mature 12 months or longer from the date of arrangement) and investments with bodies or schemes not meeting the definition of 'high credit quality'.

## **6. Non-Financial Investments**

- 6.1 Non-financial investments are non-financial assets that the organisation hold primarily of partially to generate a profit. The asset will normally be a physical asset that can be realised to recoup the capital invested.

The Town Council does plan to invest in non-financial assets in the foreseeable future.

## **7. Liquidity Of Investments**

- 7.1 The Town Council uses cash flow forecasting to determine the maximum period for which funds may be prudently committed.
- 7.2 The Policy and Finance Committee will determine the maximum periods for which funds may prudently be committed so as not to unacceptably increase liquidity risk.
- 7.3 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 counterparty.

## **8. Long-Term Investments**

- 8.1 Long-term investments are defined in the DCLG Investment Guidance as those due to be repaid in over 12 months from arrangement.
- 8.2 The Town Council does not currently hold any long-term investments, and none are envisaged as being taken out during the financial year 2024/25.

## **9. End Of Year Investment Report**

- 9.1 At the end of the financial year the Finance Officer will report on investment activity to the Policy and Finance Committee.

## **10. Review And Amendment Of Regulations**

- 10.1 The Investment Strategy will be reviewed annually by the Policy and Finance Committee.
- 10.2 The Town Council reserves the right to make variations to the Investment Strategy at any time subject to the approval of Full Council. Any variations will be made available to the public.
- 10.3 The investment strategy must be approved by Policy and Finance Committee but may be varied from time to time as circumstances dictate.

## **11. Capacity, Skills And Culture**

- 11.1 The Town Council is committed to ensuring that those elected councillors and statutory officers involved in the investments decision making process have appropriate capacity, skills and information to enable them to take informed decisions as to whether to enter into a specific investment, to assess individual assessments in the context of the strategic objectives and risk profile of the Town Council and to enable them to understand how the quantum of these decision have change the overall risk exposure of the Town Council.

11.2 This will be achieved by:

- Appropriate training of councillors and officers;
- Use of appropriate expert external advisors;
- Reporting to Town Council in the most open, clear, understandable and transparent way possible;
- The use of existing regular communication procedures between senior councillors and officers to facilitate constantly improved capacity, skills and information exchange.

### **Investment Strategy 2024/25**

1. An annual cash flow forecast will be carried out to ascertain expenditure commitments for the coming year. The Town Council is mindful of the need not to make the administration of investments too complex, especially when considering the low rates of return and the administration costs associated with managing multiple accounts and creating new accounts. The following have been identified using Moody's and Fitch ratings:

For 2024/25 the Town Council will invest as much of its surplus funds in low risk products in order to achieve its investment objectives. All investments are held for treasury management purposes only.

The investments will be split between:

- Barclays Active Saver – This is an instant access account for all day-to-day operational expenditure due to the low interest rate. The Finance Officer has delegated authority to make all necessary transfers between this account and the Town Council's current account to meet day-to-day financial commitments of the Town Council. All transfers are reported to Full Council on a monthly basis.
- Cornwall Council – This is an instant access call account and with a significantly higher interest rate than the Barclays Active Saver. It

currently holds around 100% of the Town Council's contingency funds and general reserves total.

This is currently used to invest Earmarked Funds and Operational Funds until required. The Town Council is currently undertaking large projects and will continue into 2024/25 and the liquidity of funds is therefore a higher priority than a return on investment especially when the differential in rates of interest are very modest.

- CCLA Public Sector Deposit Fund – This account is an instant access but currently holds around 76% of the Town Council's Earmarked funds total.
- Lloyds Account – This account is a fixed term deposit account for 12 months and holds around 24% of the Town Council's Earmarked funds total. The Town Council agreed to invest £340k for the investment period at a rate of 3.6%.
- Nationwide Business 95 Day Saver – This is also an instant access account for all day-to-day operational expenditure in the eventuality the Barclays Active Saver does not hold sufficient funds. The Finance Officer has delegated authority to make all necessary transfers between this account and the Town Council's current account to meet day-to-day financial commitments of the Town Council. All transfers are reported to Full Council on a monthly basis.

This account is on 95 Day Withdrawal Notice and holds around 10% of the Town Council's Contingency Funds and General Reserve Funds total.

2. The Cornwall Council and Nationwide accounts have an investment limit of £1m. All other investments held with other banks or institution as detailed above have a maximum limit of £500,000.

This strategy will be made available on the Town Council's website.

## **External Borrowing Strategy**

### **1. Introduction**

The Town Council acknowledges the importance of borrowing funds and the financial impact on the Town Council and the local community. The Town 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 Cornwall Association of Local Councils (CALC) and the National Association of Local Councils (NALC). All borrowings must be approved by Full Council.

### **2. Principles**

Before a Town Council can borrow a sum of money, it must first receive an approval to borrow (loan sanction) from the Secretary of State by way of the Ministry of Housing Communities and Local Government (MHCLG), unless it for a temporary loan or overdraft from a bank or otherwise of sums which the Town Council may temporarily require to meet revenue expenditure.

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 MHCLG and NALC.

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

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

- The borrowing should be only used for the purpose of Capital expenditure as defined in 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 Town Council of the first day on the current financial year (1st April)

- Any unallocated balances including, where appropriate capital receipts beyond those required for the prudent financial management of the Town Council, should be used in the project for which the borrowing is required.
- The Town Council should have a realistic budget for the servicing and repayment of the debt, taking into account the future effect on the Town Council's precept and cash flow.
- The Town Council must not mortgage or charge any of its property as security for money borrowed.

### **3. Interest Rates**

The Town Council will look around for the best possible terms when borrowing but will usually use the Public Works Loan Board (PWLB).

The Town Council feels the fixed term rates offered by the PWLB are relatively cheap and the PWLB loans are most likely to offer stability for the financial planning of the Town Council.

### **4. Period Of Loan**

The Town 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 Town 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.

## 5. Current External Borrowing

The Town Council currently has two loans with the Public Works Loan Board:

<b>Project</b>	<b>Amount / Period</b>	<b>Commencement Date</b>	<b>End Date</b>
Churchtown Cemetery Land	£250k / 15 years	30.07.2010	30.07.2025
Library Building Refurb	£200k / 10 years	01.04.2022	01.04.2032

## APPENDIX A

### Statement of Reserves Position-

1. At the end of the 2020/21 financial year Saltash Town Council had £114,900 in its General Reserve including £481,941 contingency fund and £464,994 in its Earmarked Reserves.
2. The precept of £1,171,123 was received in 2021/22.
3. The precept of £1,255,690 for 2022/23 will be paid into the current account in two tranches, 50% in April 2022 and 50% in September 2022.
4. A report containing a summary of the reserves position was considered by Policy & Finance Committee in May 2021.
5. The view the current balance and interest rates of each of the specified investments refer to the Policy and Finance committee: -
  - Barclays Active Saver – (Fitch Rating: A+) - Instant Access.
  - Cornwall Council Call A/c - Instant Access.
  - Nationwide 95 Day Notice Saver (Fitch Rating: A) 95 Day Withdrawal Notice.
  - CCLA Public Sector Deposit Fund - Instant Access.
  - Lloyds Fixed Term Deposit– 12 month Fixed Term.
6. The Finance Officer will report on all investment rates of return at every Policy and Finance Committee held throughout the financial year.
7. Review and Amendment of Regulations.

This strategy will be reviewed annually. The Annual strategy for the coming financial year will be prepared by the Responsible Finance Officer and presented for approval to the Policy and Finance Committee.

The Town Council reserves the right to make variation to the strategy at any time, subject to approval of the Full Council. Any variation will be made available to the public.