

SPENNYMOOR TOWN COUNCIL



TREASURY MANAGEMENT POLICY

Author of Policy:	Town Clerk/Finance Manager
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1. Introduction

- 1.1 Treasury Management covers the borrowing and investment and cash flow activities of the Council and the effective management of risks in relation to these activities. Treasury management is an important element in the overall management of the Council's financial affairs.
- 1.2 The Council's treasury management activities are controlled by Schedule 1 of the Local Government Act 2003, in relation to Capital Finance for Parish and Community Councils.
- 1.3 The Council is also required by the Local Authorities Capital Finance and Accounting England Regulations 2003 to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) publications; the Treasury Management in the Public Service Code for Capital Finance in Local Authorities in relation to its treasury management activity.
- 1.4 Although there is no statutory requirement for Town and Parish councils to comply with the requirements of the CIPFA Treasury Management Code of Practice or Prudential Code for Capital Finance, it is considered good practice for the Council to operate its treasury management activities in accordance with these codes as far as is considered relevant to the Council's circumstances.
- 1.5 Treasury Management is concerned with how organisations manage their cash resources and its scope covers borrowings and investments. Risk is inherent in all treasury management activities and it is necessary to balance risk and return. In the public services it is generally considered that the priority is to protect capital rather than maximise return.
- 1.6 The Code recommends that public organisations should adopt a Statement of Treasury Management Practices (TMPs). *This is detailed in Appendix 1 attached.*

2. Policy

Investment Strategy

- 2.1 The following statements underpin the Council's investment strategy:
 - 2.1.1 The Council will invest its temporary surplus funds prudently.

- 2.1.2 Priority is to be given to security and liquidity rather than yield. It is reasonable to seek the highest rate of interest consistent with the underlying principles of security and liquidity.
- 2.1.3 The Policy shall be approved by full Council and only varied or rescinded by full Council.
- 2.1.4 *A report on investments shall be submitted to the Council's Policy and Resources Committee on a regular basis, providing details of cash investments and interest earned.*

2.2 All investments will be made in accordance with the above strategy.

Long-Term Capital Borrowing Strategy

- 2.3 The following statements underpin the Council's long-term borrowing strategy:
 - 2.3.1 The Council will arrange to borrow funding prudently and will consider the affordability of all new borrowings and the impact upon the Council's Precept.
 - 2.3.2 All borrowing for capital expenditure will be made with the Public Works Loan Board.
 - 2.3.3 Any new borrowing for capital expenditure purposes must reflect the priorities of the Council.
 - 2.3.4 Liquidity risk (the risk of renewing loans during a period of high interest rates) and market risk (the risk of adverse movements in interest rates linked to variable interest rate loans) will be considered before taking out any new borrowing.
 - 2.3.5 Priority is to be given to fixed interest rate loans that are consistent with the principle of affordability.
 - 2.3.6 No long term borrowing shall be entered into without the consent of the full Council.
 - 2.3.7 *Consent to the borrowing shall be obtained from the appropriate Government Department, and the procedural rules of the Public Works Loan Board (PWLB) shall be followed.*

Short-Term Borrowing Strategy

- 2.4 The following statements underpin the Council's short-term borrowing strategy:
- 2.4.1 *The Council is permitted to borrow on a short term basis (i.e. for less than twelve months) without Government consent, but only to cover any anticipated shortfall between costs incurred and income due.*
 - 2.4.2 *In the light of the above, the Council will only borrow over the short-term if it is completely necessary and will improve value for money (e.g. to avoid expensive bank penalty payments).*
 - 2.4.3 *The Council's objective will be not to borrow on a short term basis for a period exceeding one calendar month.*
 - 2.4.4 *The Council will only borrow over the short-term as a last resort and the reason for the borrowing must be of an extremely urgent nature, linked to the situation referred to in 2.4.1 above.*
 - 2.4.5 *The Council expects short-term borrowing to be extremely rare and should be avoided in the normal course of business.*
- 2.5 *Any proposed changes to the above Policy must be reported to and approved by the full Council.*

TREASURY MANAGEMENT PRACTICES (TMPs)

TMP 1 – Risk Management

The Council will operate in line with the investment methodology at Appendix 2 and the Finance Manager will ensure that a cashflow forecast is prepared to ensure that the Council protects itself from the risk of insufficient liquidity (which could result in the Council being unable to meet its short-term commitments as they fall due).

Furthermore, a contingency amount of 10% will be added to the cashflow need before an investment is made to ensure that the Council has a cash buffer to allow for the payment of any unexpected liabilities.

The Finance Manager will report the interest earned from investments within the Budgetary Control reports to the Policy and Resources Committee. This is intended to reduce the risk of underachievement of bank interest when compared to budget.

The Council also has fidelity insurance cover in place which covers the loss of cash by fraud or dishonesty up to a maximum of £1.2 million.

TMP 2 – Value for Money and Performance Measurement

Treasury management activity will be regularly monitored and reported to the Council as part of the annual Statement of Accounts, Medium Term Financial Plan, Revenue and Capital Budgets and Budgetary Control Reports.

TMP 3 – Decision Making & Analysis

Full records of the Council's treasury management activities and any treasury management decisions, and processes and practices applied in reaching those decisions will be fully maintained.

TMP 4 – Approved Instruments, Methods and Techniques

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in this policy, taking into account the risks identified in TMP1 – Risk Management.

The approved activities of the treasury management operation are as follows:

- Borrowing

- Investments
- Early repayment or rescheduling of debt
- Managing cash flow
- Banking arrangements
- Leasing arrangements
- Managing and reviewing treasury management risk
- Reviewing treasury management techniques

Approved Instruments for Investments

The Council's approved methods and instruments for investments will be:

- The Public Sector Deposit Fund

Any changes to the Council's investment arrangements will need to be reported to the Policy and Resources Committee and approved by the Council.

Approved Instruments for Borrowing

The Council's approved method and instrument for borrowing will be:

- Public Sector Loans Board (PWLB) Loans

The Public Sector Loans Board is a government department that makes finance available to local authorities at government borrowing rates.

Any short-term borrowing will only be used as a last resort.

TMP 5 – Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

The Town Clerk as the Council's Responsible Finance Officer will be ultimately responsible for the Treasury Management Function. The Finance Manager (or in their absence a Finance and Administration Assistant) will have day-to-day responsibility for following (Appendix 2) methodologies and procedures and seeking authorisation from the Town Clerk before any action is taken.

The Finance Manager will be responsible for reporting on the performance of the Treasury Management Function.

No Officer/Member will be authorised by the bank to move cash to third party bank accounts. No Officer/Member is authorised to enter into internet banking

arrangements (for the avoidance of doubt this does not preclude the purchase of equipment or supplies “on-line” *by an officer* from secure websites).

TMP 6 – Reporting Requirements and Management Information Arrangements

Regular reporting will be presented to the Policy and Resources Committee on the performance of the Treasury Management function.

In addition, an annual report will be prepared for the attention of Members and presented to Council at the same time as the Annual Budget Outturn Report.

TMP 7 – Budgeting, Accounting and Auditing Arrangements

All loans and investments will be accounted for in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force at the time in question. Finance Manager will ensure that the Town Clerk is kept fully informed throughout.

The Finance Manager will be responsible for the preparation of all audit (external) working papers. The Finance Manager will ensure that the Town Clerk is kept fully informed throughout – a request for information in relation to such matters will be treated with the appropriate priority.

Prudent estimates or actual payments will be included within the annual budget for all loans and investments.

The Finance Manager will report upon revenue costs and income associated with the Council's treasury management activities via the Budgetary Control Reports to the Policy and Resources Committee.

TMP 8 – Cash and Cashflow Management

Cash flow projections will be prepared by the Finance Manager *and Finance and Administration Officer(s)* 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.

TMP 9 – 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.

The preferred method of payment for all receipts is via BACS.

TMP 10 – Staff Training and Qualifications

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully trained and equipped to undertake the duties and responsibilities allocated to them.

The Finance Manager is CIPFA qualified.

Details of any further training needs including any treasury management related training will be identified on a regular basis.

The Finance Manager will also attend any Treasury Management seminars as considered appropriate in order to stay abreast of any change to legislation or accounting practice.

TMP 11 – 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 remote 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.

TMP 12 – Corporate Governance

All activities of the Treasury Management function will be undertaken by following the principles of **openness, transparency, honesty, integrity and accountability**.

All related paperwork, for audit trail purposes will be retained securely and in good administrative order with these five principals of good corporate governance and data security in mind.

METHODOLOGIES

1. Investments

The following procedure will be applied before any investments are made with the Council's bankers, *or other financial institution*:

- 1.1 A cash flow forecast, *taking into account all anticipated expenditure and income* will be prepared by the Finance Manager and/or the *Finance and Administration team in accordance with Appendix 1*.
- 1.2 *In addition to the cash flow statement, due regard shall be given to the level of current interest rates, and the prospect for changes in the foreseeable future in determining the amount and period of any cash investment.*
- 1.3 After the completion of the above, the authorised officer(s) shall contact the Council's bank to notify them of the transaction.

2. Long-Term Capital Borrowing

The following procedure will be applied before any new borrowing is entered into:

- 2.1 Long-term borrowing is defined as a period exceeding twelve months. All long-term borrowing will be made for capital purposes *approved by the full Council*.
- 2.2 The impact of any new long term borrowing will be calculated by the Finance Manager and the impact on the Council's precept will be calculated and an opinion on affordability will be expressed.
- 2.3 The Finance Manager will provide details of the costs of borrowing and a repayment schedule, *based on a range of borrowing periods*.
- 2.4 All long term borrowing proposals will be authorised by the Town Clerk and then submitted to the full Council for approval, *along with details of the capital project which is to be financed by the borrowing*.

3. Short-Term Borrowing

The following procedure will be applied before any new borrowing is entered into:

- 3.1 Any short-term borrowing will need to be authorised by the Town Clerk.
- 3.2 The reason for the short-term borrowing will be identified and made available to the Town Clerk.
- 3.3 Full disclosure of the details, including the reason required, rationale and compliance with the requirements of this policy in relation to the short-term borrowing will be made via a report to the first available Policy and Resources Committee.