

## Investment and Borrowing Management Policy

### 1.0 OVERVIEW

#### 1.1 Overview

This document gives guidance on borrowing and investments by Crewkerne Town Council in accordance with the Guidance on Local Government Investments ('the Guidance'), issued under s15(1) of the Local Government Act 2003, effective from 2018. It highlights that the Council is committed to Treasury Management 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 CIPFA Treasury Management Code of Practice defines Treasury Management as: 'The management of the Council's cashflows, 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'.

### 2.0 INVESTMENT STRATEGY

#### 2.1 Introduction

Crewkerne Town Council acknowledges the importance of prudently investing surplus funds held on behalf of the community.

Investment Strategies approved after 1 April 2018 must be in line with the Government's Statutory Guidance on Local Government Investments, which includes considerable detail on the provision of loans.

All investments will be made in line with the Council's financial procedures and observations and advice received from the Council's internal and/or external auditors.

#### 2.2 Investment Objectives

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) To such other guidance as the Secretary of State may by regulations specify.

Crewkerne Town Council's investment objectives:

- The Council's investment priorities are the security of reserves and adequate liquidity of its investments.
- The Council will aim to maximise income from its investments commensurate with proper levels of security and liquidity.
- The Council will seek to ensure that investment income is consistent one year to the next.

- Where external investment managers are used, they will be contractually obliged to comply with this Strategy.

All investments will be made in sterling although consideration may be given to investment in property and/or land.

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

### 2.3 Specified Investments

Specified Investments are those offering high security and high liquidity, made in sterling and with a maturing date of no more than a year. Such short-term investments made with the UK Government or a local authority or town parish council will automatically be Specified Investments.

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.
- Other recognised funds specifically targeted at the Public Sector.

The choice of institution and length of deposit will be at the discretion of the Responsible Financial Officer, in consultation with the Chair of the Policy and Resources Committee.

Current investment is with Lloyds Bank.

Where appropriate, investments will be spread over different providers to minimise risk.

### 2.4 Non-Specified Investments

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

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

### 2.5 Liquidity of Investments

The Responsible Finance Officer (RFO) will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.

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.

### 2.6 Long Term investments

Long term investments are defined in the Guidance as greater than 36 months.

The Council does not currently hold any long-term investments.

## 2.7 Reporting on Investment Performance

The RFO will report regularly to the Council on the performance of the investments.

Investment forecasts for the coming year will be accounted for when the budget is prepared. At the end of the financial year, the RFO will report on investment activity to the Council.

## 3.0 EXTERNAL BORROWING STRATEGY

### 3.1 Introduction

The Council acknowledges the importance of borrowing funds and the financial impact on the Council and on the precept.

### 3.2 Principles

Council will agree borrowing for specific capital projects as defined in section 16 of the 2003 Act and all borrowings must be approved by Full Council. Before a council can borrow money, approval must first be received from the Secretary of State by way of the Department for Communities and Local Government (DCLG) via an application made to the National Association of Local Councils (NALC) through the Somerset County association (SALC). 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.

Any Borrowing Approval granted will be retained permanently as part of the Council's records.

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

The Council will ensure the following criteria is followed when considering obtaining borrowing approval:

- The borrowing should only be used for the purpose of capital expenditure as defined by section 16 of the 2003 Act.
- 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 cashflow.
- The Council must not mortgage or charge any of its property as security for the money borrowed.

### 3.3 Lender

The Council will usually borrow funds from the Public Works Loan Board (PWLB) and will research the best possible interest rates offered by the PWLB.

### 3.4 Period of Loan

The Council will determine the period of 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 Council will consider the effect on the level of repayments and therefore the effect on future precepts when considering the period of the loan.

The Council will also adhere to the requirements, namely consultation with local people about the planned project and about the intention to borrow and how the repayment will affect the budget (and residents' Council Tax). The evidence must demonstrate residents' support for the need and the need to borrow. Evidence of communications will be submitted with the borrowing application.

#### 4.0 REVIEW AND AMENDMENT OF THIS POLICY

This policy will be reviewed every 2 years. However, the Council reserves the right to make variations to this policy at any time, subject to approval of Full Council.

#### 5.0 FREEDOM OF INFORMATION

In accordance with the Freedom Of Information Act 2000, this document will be posted on the Council's website.

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