

# **Investment and Borrowing Management Policy**

## **1. Introduction**

- 1.1 This policy 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 demonstrates the council's commitment to prudent 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.
- 1.2 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. Investment Strategy**

- 2.1 Crewkerne Town Council acknowledges the importance of prudently investing surplus funds held on behalf of the community.
- 2.2 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.
- 2.3 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.

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

Crewkerne Town Council's investment objectives:

- Security of reserves and adequate liquidity of its investments
- Maximising income from its investments commensurate with appropriate levels of security and liquidity
- Ensuring investment income is reasonably consistent year to year

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

3.2 All investments will be made in sterling. Investments in property and/or land may be considered where appropriate. The council will not borrow money purely to invest, or lend for financial return, as this is unlawful.

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

- 4.1 Specified Investments are those offering high security and high liquidity, made in sterling and mature within 12 months. Such short-term investments made with the UK Government or a local authority or town 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.
  - Recognised public sector targeted funds.
- 4.3 The Responsible Financial Officer (RFO), in consultation with the Chair of the Policy and Resources Committee, will determine the choice of institution and deposit length. Investments may be spread across providers to minimise risk. Current investments are held with Lloyds Bank and CCLA (Churches, Charities and Local Authorities Investment Management Limited).

#### **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 uncertainties surrounding such investments, the council will not use this type of investment.

#### **6. Liquidity of Investments**

- 6.1 The RFO will determine maximum commitment periods to maintain adequate liquidity.
- 6.2 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.

#### **7. Long Term Investments**

- 7.1 Long-term investments are defined in the Guidance as greater than 36 months. The council does not currently hold any long-term investments and will only consider them if they are consistent with this policy, prudent risk management, and statutory guidance.

#### **8. Reporting on Investment Performance**

- 8.1 The RFO will report investment performance quarterly to the council, including forecasts for the coming year and end-of-year activity.

## **9. External Borrowing Strategy**

- 9.1 The council acknowledges the importance of borrowing funds and the financial impact on the Council and on the precept.
- 9.2 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 Association of Local Councils (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.
- 9.3 Any borrowing approval granted will be retained permanently as part of the council's records.
- 9.4 The council is only authorised to borrow a maximum of £500,000 in any single financial year.
- 9.5 When considering an application for borrowing approval, the council will ensure the following criteria are met:
- The borrowing should only be used for the purpose of capital expenditure as defined by section 16 of the Local Government Act 2003.
  - 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.

## **10. Lender**

- 10.1 The Council will usually borrow funds from the Public Works Loan Board (PWLb) seeking the most favourable interest rates.

## **11. Period of Loan**

- 11.1 The loan period should not exceed the expected useful life of the asset.
- 11.2 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.
- 11.3 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.

## **12. Risk Management**

12.1 The council will monitor investments and borrowing to manage financial risks, including:

- Counterparty creditworthiness
- Diversification of investments
- Regular review of liquidity
- Compliance with statutory and professional guidance

## **13. Freedom of Information**

13.1 In accordance with the Freedom of Information Act 2000, this document will be posted on the council's website. Investment and borrowing summaries will also be available on request.

### **Version Control:**

Adopted by Policy and Resources Committee: 20<sup>th</sup> October 2014, Minute No. 21a.

Updated at Full Council meeting: 23<sup>rd</sup> January 2017 Minute No. 16/17 177.

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This policy will be reviewed every four years, or sooner if required by changes in legislation or council practice.

Review Date: October 2029