



# whitchurch town council

## Investment & Treasury Management Policy 2024

Adopted by Full Council on 24/04/2024 (WTC/FC/43b/2324)

**This Policy was adopted by Whitchurch Town Council at its meeting held on 24/04/2024 and replaces all previous versions.**

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*Functions of the Proper Officer may be delegated at their discretion, subject to the council's Scheme of Delegation, though responsibility will remain with the postholder.*

*In these regulations, any reference to RFO and Proper Officer is interchangeable due to the nature of the appointment/s.*

## 1. Introduction

1.1 Whitchurch Town Council has adopted the following Investment & Treasury Management Policy, which establishes formal objectives, policies, practices and reporting arrangements for the effective management and control of the Council's treasury management activities, and the associated risks, and should be read in conjunction with the Council's Financial Regulations.

1.2 This policy complies with the requirements set out in the Department of Communities and Local Government Guidance on Local Government Investments issued under Section 15 (1) (a) of the Local Government Act 2003 and guidance within 'Governance and Accountability for Smaller Authorities in England' Practitioners Guide ('the guidance'). The key principles of the guidance are transparency and democratic accountability.

1.3 The Local Government Act 2003 Section 12 provides the power to invest:

- (a) for any purpose relevant to its functions under any enactment or
- (b) for the purpose of the prudent management of its financial affairs.

Section 15(1) of the Act requires a local authority to 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 for the purposes of this provision.

1.4 It is uncommon for a town council to hold investments other than in the form of easily accessible bank deposits or other short-term savings accounts. These are often used to maximise income from cash balances during the financial year.

1.5 The legislation and associated guidance is optional for parish councils where investments are not expected to exceed £500,000 and no action is required below £10,000. However, for Councils where the sums involved exceed £500,000, the guidance is mandatory.

1.6 The guidance states that local authorities who hold treasury management investments should apply the principles set out in the CIPFA Treasury Management Code. There are 3 key principles within section 4 of the Code which are:

- 1. The Council should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.*
- 2. Policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds.*
- 3. The Council should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of risk management, their treasury management policies and practices should reflect this.*

1.6 The Guidance recommends that a council produces an Annual Investment Strategy which sets out its policy for managing its investments giving priority to two underlying objectives:

- Security – protecting the capital sum invested from loss; and
- Liquidity- ensuring the funds invested are available for expenditure when needed.

1.6 All investments of money under the control of the Council shall be in the name of Whitchurch Town Council.

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

1.8 Where external investment managers are used, they will be contractually required to comply with this Policy and any aligned strategy.

## **2. Definitions**

2.1 Specified Investments – one which is made in sterling, is not long term (i.e. less than 12 months), not defined as capital expenditure and is placed with a body which has a high credit rating or made with the UK Government, a UK Local Authority or a parish or community council.

2.2 Treasury – all cash deposits held in bank accounts which includes bonds of up to 12 months in duration.

2.3 Non-specified investments – any financial investment that does not meet the criteria to be treated as a specified investment.

2.4 Loans - The guidance states that a local authority may choose to make loans to local enterprises, local charities, wholly owned companies, and joint ventures as part of a wider strategy for local economic growth even though those loans may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity. There are specific conditions that the local authority must be able to demonstrate to undertake this type of investment and the guidance contains a detailed explanation. Whitchurch Town Council has no current strategy to provide such loans.

## **3. Reserves Policy**

3.1 The Town Council will only maintain reserves for the following reasons:

- A sum approximately equal to approx. 6 months (minimum) of its Net Revenue Expenditure will be maintained as the General (non-earmarked) Reserve, in accordance with good practice.
- A Capital Reserve held from the sale of land will be used to meet any needs identified in its Capital Medium Term Financial Forecasts or for unexpected capital expenditure or emergencies.
- Other Reserves which are earmarked for special purposes or future development, or to meet commitments, will be maintained as necessary.

## 4. Investment Objectives

4.1 Security: To invest prudently to ensure the security of the capital sums & mitigate risk. The guidance states that where authorities are holding treasury management investments for more than 12 months, they should include quantitative indicators that allow Councillors and the public to assess a local authority's total risk exposure because of its investment decisions.

4.2 Liquidity: ensure the funds invested meet the portfolio needs of the Council & available for expenditure when needed.

4.3 Yield: to seek the optimum returns available whilst remaining consistent with the proper levels of security and liquidity.

## 5. Investment Policy

5.1 The Council will not hold funds other than in bank accounts or deposit bonds of 12 months or less in duration.

5.2 The Council will make no direct investments in stocks or shares.

## 6. Treasury Policy

6.1 The Council defines its treasury management activities as *“the management of the Council's cash flows, its banking and money market transactions, the effective control of the risks associated with those activities, and the pursuit of best value performance consistent with those risks”*.

6.2 The Council will hold all its funds as cash deposits in bank accounts or bonds or with CCLA Public Sector Deposit Fund.

6.3 A business account will be maintained with sufficient funds for day-to-day transactions and to receive the precept and business income. For the time being, day-to-day transactions of Whitchurch Town Council is maintained with Unity Bank and subject to review by the Council's Oversight Committee.

6.4 The Council will be mindful to spread investment over different providers to minimise risk, where practicable. No investment shall be held with the council's current main day-to-day bankers. The Town Council shall only invest with banks/building societies which it defines as *“High Credit Quality”*. This being those with a credit rating of A with Moody's Investors Service or BBB with Standard and Poor's or Fitch Ratings Ltd. The Town Council also invests in the CCLA Public Sector Deposit Fund subject to it maintaining a credit rating as required above.

6.5 Full Council approval is required if a deposit is within an institution with which the Council does not already hold an account. The Proper Officer / RFO has delegated authority to deposit funds with any of the Council's existing bankers and report this back to the Council.

## 7. Procedure for Deposits & Transfers

7.1 The Proper Officer / RFO to identify an appropriate deposit account or short-term bond with a financial institution that fits with the Council's Treasury Policy. Any bonds should be capital sum guaranteed, as set out in Whitchurch Town Council's Financial Regulations

7.2 Approval of Full Council is sought if the deposit is with a financial institution not currently used by the Council.

7.3 Opening of the account & all transfers between banks and accounts will follow normal payment procedures as detailed in the Council's Financial Regulations.

7.4 The Proper Officer / RFO actions the deposit/transfer of funds in conjunction with co-signatories defined as the Chairman and Deputy Chairman (as Chair of the Council's Oversight Committee) – further defined in WTC Resolution WTC/EFC/18/2324 (26/5/2023).

7.5 Details of all transfers to be provided to the Oversight Committee with regular Financial Reports.

7.6 At the end of any fixed term, the Proper Officer / RFO has delegated authority to move the funds into another bond with the same financial institution or with another of the Council's bankers.

## **8. Policy Review**

8.1 This policy will be reviewed every year prior to the start of the Financial Year, or when legislation requires. Any variation to the policy will be submitted to the Council for approval and published on the website for transparency.