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TREASURY MANAGEMENT POLICY

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Author: Deputy Town Clerk and RFO

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1. OVERVIEW

- 1.1 This document gives guidance on borrowing and investments by Shepton Mallet Town Council in accordance with ‘the Local Government Act 2003’.
- 1.2 It highlights that the Council is committed to professional Treasury Management practices to ensure that:
 - 1.3 • Capital expenditure plans are affordable
 - 1.4 • All external borrowing and other long-term liabilities are within prudent and sustainable levels, and
 - 1.5 • Treasury Management decisions are taken in accordance with good professional practice.
- 1.6 The CIPFA Treasury Management Code of Practice defines Treasury Management as:
 - 1.7 ‘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 Introduction

2.2 The Council acknowledges the importance of prudently investing the temporarily surplus funds held on behalf of the community. This Strategy complies with the revised requirements set out in the Department for Communities and Local Government's (formerly the Office of the Deputy Prime Minister) Guidance on Local Government Investments and Chartered Institute of Public Finance and Accountancy's Treasury Management in Public Services: Code of Practice and Cross Sectoral Guidance Notes and takes account of Section 15(1)(a) of the Local Government Act 2003.

2.3 **Investment Objectives**

2.4 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.

2.5 Shepton Mallet Town Council acknowledges the importance of prudently investing the temporary surplus funds held on behalf of the community. This Strategy complies with the revised requirements set out in the Department of Communities and Local Government Guidance on Local Government Investments and takes into account Section 15(1)(a) of the Local Government Act 2003 and guidance within Governance and Accountability for Local Councils Practitioner's Guide 2018. The Ministry of Housing, Communities and Local Government (formerly known as the Department of Communities and Local Government) maintains 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.

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.

The Guidance states:

- where a Town or Parish Council expects its investments at any time during a financial year to exceed £500,000, the Guidance should apply in relation to that year.
- where a Town or Parish Council expects its investments at any time during a financial year to exceed £10,000 but not £500,000, it should decide on the extent, if any, to which it would be reasonable to have regard to the Guidance in relation to that year.

- where a Town or Parish Council expects its investments at any time during a financial year not to exceed £10,000, no part of the Guidance need be treated as applying in relation to that year.
- 2.6 The Council expects its investments during the 2023-24 financial year to be less than £500,000.
- 2.7 **Specified Investments**
- 2.8 Specified Investments are those offering high security and high liquidity, made in sterling and which mature in no more than a year. Such short term investments made with the UK Government or a local authority or town or parish council will automatically be Specified Investments.
- 2.9 For the prudent management of its treasury balances, maintaining sufficient levels of security and liquidity, Shepton Mallet Town Council will use:
- Deposits with banks, building societies, local authorities or other public authorities
 - The debt management agency of HM Government
 - CCLA Public Sector Deposit Fund.
 - CCLA Local Authority Property Fund
- 2.10 **Non-Specified Investments**
- 2.11 These investments have greater potential risk – examples include investment in the money market, stocks and shares. Given the unpredictability and uncertainties surrounding such investments, Shepton Mallet Town Council will not use this type of investment.
- 2.12 **Liquidity of Investments**
- 2.13 The Town Clerk, in collaboration with the Responsible Finance Officer, 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.
- 2.14 **Long Term Investments**

2.15 Long term investments are defined in the Guidance as greater than 36 months. The Council currently holds investments in the CCLA Public Sector Deposit Fund and this is recorded on the Council's Asset Register.

2.16 **End of Year Investment Report**

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

3. EXTERNAL BORROWING STRATEGY

3.1 **Introduction**

3.2 The Council acknowledges the importance of borrowing funds and the financial impact on the Council and the local community. The 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 the National Association of Local Councils (NALC).

3.3 All borrowings must be approved by full council.

3.4 **Principles**

3.5 Before a 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 Department for Communities and Local Government (DCLG), unless it is for a temporary loan or overdraft from a bank or otherwise of sums which the council may temporarily require to meet revenue expenditure.

3.6 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.

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

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

- The borrowing should be only be used for the purpose of Capital expenditure as defined by 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 Council on the first day of the current financial year (1 April)
- 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 money borrowed.

3.9 **Interest Rates**

3.10 The Council will look around for the best possible terms when borrowing but will usually use the Public Works Loan Board (PWLB). The Council feels that the fixed term rates offered by the PWLB are relatively cheap and that PWLB loans are most likely to offer stability for the financial planning of the council.

3.11 **Period of Loan**

3.12 The 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 Council i.e. useful life of the asset.

3.13 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.

3.14 **Current External Borrowing**

3.15 The Town Council currently has no external borrowing.

3.16 **Further Anticipated External Borrowing**

3.17 The Council has no plans currently to incur capital expenditure which will require a loan sanction or external borrowing.

4. REVIEW AND AMENDMENT OF REGULATIONS

4.1 This Strategy will be reviewed annually.

4.2 The Annual Strategy for the coming financial year will be prepared by the Responsible Finance Officer and presented for approval to the Policy and Resources Committee.

4.3 The Council reserves the right to make variations to the Strategy at any time, subject to the approval of the full Council. Any variations will be made available to the public.

5. DISABILITY DISCRIMINATION ACT 1995

5.1 Copies of this document in large print (A3 Format) or larger font size, or recorded as a 'talking book' can be made available for those with sight impairment on request from the Council Office or by telephoning 01749 343984 or e-mailing info@sheptonmallet-tc.gov.uk

5.2 The Council can also arrange to provide versions in other languages.

6. FREEDOM OF INFORMATION

6.1 In accordance with the Freedom of Information Act 2000, this Document will be posted on the Council's Website.