



BODMIN TOWN COUNCIL

TREASURY MANAGEMENT STRATEGY

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Overview

This document gives guidance on borrowing and investments by Bodmin Town Council in accordance with 'the Local Government Act 2003'. 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.'

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INVESTMENT STRATEGY

2.1

Introduction

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 the Section 15(1)(a) of the Local Government Act 2003 and best practice from the National Association of Local Councils and CIPFA.

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.

The Council's investment priorities will be centred on security of reserves first, whilst also providing sufficient liquidity and profit.

All investments will be made in sterling.

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.

Where external investment managers are used, they will be contractually required to comply with the Strategy.

2.3 **Specified Investments**

Specified Investments are those offering high security and high liquidity, made in sterling and with a maturing of 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.

For the prudent management of its treasury balances, maintaining sufficient levels of security and liquidity, Bodmin Town Council will use:

- Deposits with banks, building societies, local authorities or other public authorities
- The debt management agency of HM Government.

Any short term surplus will be invested in the HSBC MoneyMaster Account in order to maximise the return.

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, Bodmin Town Council will not use this type of investment.

2.5 **Liquidity of Investments**

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.

2.6 **Long Term Investments**

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

When investing in Corporate Bonds and/or Government Bonds the Credit rating alone is not sufficient to make an investment, it needs to be reviewed within the context of the wider financial economic information available and advice.

In order to improve the return on its investment and in the light of the low interest rates available with the Specified Investments (Section 3). The Council will be entering a Short Maturity Portfolio with the HSBC Fixed Income Service. For more Information please see Annex 1 of the Investment Strategy 2011/12.

2.7 **Reporting on Investment Performance**

Investment performance statements will be circulated once a quarter to the Finance, Staffing and Performance Management (FSPM) Committee.

The Council will ensure that the FSPM Committee Members and the Responsible Finance Officer have sufficient training to underpin their responsibilities to scrutinise the Treasury management Function.

Investment forecasts for the coming financial year were accounted for when the budget was prepared. At the end of the financial year, the Responsible Finance Officer will report on investment activity to the FSPM Committee.

3 **EXTERNAL BORROWING STRATEGY**

3.1 **Introduction**

The Council acknowledges the importance of borrowing funds and the financial impact on the Council. Therefore takes into consideration the following before incurring the community.

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). All borrowings must be approved by full council.

3.2 **Principles**

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.

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.

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

The Council will ensure the following criteria when considering to get borrowing approval:

- The borrowing should only be used for the purpose of Capital expenditure act defined by section 16 of the LG Act 2003.
- The borrowing amount should not be less than £5 multiplied by the member 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.

3.3 **Interest Rates**

The Council will look around for the best possible terms when doing this but usually this will be the Public Works Loan Board.

The Council feels that the fixed term rates offered by the PWLB are relatively cheap and that this would be the best way forward for the stability of financial planning of the council.

3.4 **Period of Loan**

The Council will determine the period of the 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.

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.

3.5 **Current External Borrowing**

The Town Council's external borrowing position as at 1 April 2010 is as follows;

| | Outstanding at 1 April | Redemption Date |
|-------|------------------------|-----------------|
| PWLB | 400,000 | 31 March 2025 |
| Total | 400,000 | |

3.6 **Further Anticipated External Borrowing**

In the future the Council anticipates requiring loan sanction and external borrowing for the capital expenditure associated with the Priory Community Support Centre, although this is unlikely to be in the financial year 2011/12.

Details of the Project are available on the Councils' website www.bodmin.gov.uk

The Council will be carrying out major repairs to the roof of the Shire House during the coming year. Although this is currently at the survey stage, and the full cost of this work is not presently known, it is anticipated that the Council will be seeking borrowing approval (loan sanction) for the necessary borrowing during the financial year 2011/12. The Council has made provision for this within its budget.

All documentation relating to any loan will be retained by the Council for the period of the loan and until all related audits have been completed and in compliance with statutory requirements.

4 **Review and Amendment of Regulations**

This Strategy will be reviewed annually. The Annual Strategy for the coming financial year will be prepared by the Responsible Finance Officer and presented for approval by the Finance, Staffing and Performance Management Committee.

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**

Copies of this document in large print (A3 Format) or larger font size, or recorded onto tape as a 'talking book' can be made available for those with sight impairment on request from the Council Office or by telephoning 01208 74159 or e-mailing anne.mcauley@bodmin.gov.uk

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

Freedom of Information

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

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