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**TREASURY MANAGEMENT STRATEGY**

**OCTOBER 2023**

**This policy was adopted by Market Drayton Town Council on 2 November 2023**

**at a Finance and General-Purpose Committee.**

**To be reviewed annually.**

**TREASURY MANAGEMENT STRATEGY**

**TREASURY MANAGEMENT STRATEGY 2023/2024**

1. **OVERVIEW**

1.1 This document gives guidance on borrowing and investments by Market Drayton Town Council in accordance with section 15(1)(a) of 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.

1.2 The Chartered Institute of Public Finance and Accountancy (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’.*

**ANNUAL INVESTMENT STRATEGY 2023/2024**

1. **INTRODUCTION**

1.1 Market Drayton Town Council acknowledges the importance of prudently investing the temporarily surplus funds held on behalf of the community.

1.2 This Strategy complies with the revised requirements set out in:

* Statutory Guidance on LocalGovernment Investmentsissued by the Ministry of Housing, Communities and Local Government.
* Takes account of the CIPFA Treasury Management in Public Services: Code of Practice and Cross Sectoral Guidance Notes.
* Section 15(1)(a) of the Local Government Act 2003.
* Guidance within Governance and Accountability for Local Councils Practitioners Guide 2021.

2. **INVESTMENT OBJECTIVES**

2.1 In accordance with Section 15 (1) of the 2003 Act, the Council will have regards to   
  
(a) such guidance as the Secretary of State may issue and   
  
(b) such other guidance of the Secretary of State may by regulations specify.

2.2 The Council’s objectives when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The Council will therefore aim to achieve the optimum return on its investments with appropriate levels of security and liquidity.

2.3 The Council investment priorities therefore are, in order of importance:  
  
• The security of its reserves.  
• The adequate liquidity of its investments.  
• The return (yield) on investments.

2.4 All investments will be made in sterling.

2.5 The Ministry for Housing 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.

2.6 Investments in pooled funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term money market funds offering same –day liquidity and very low or now volatility provide an alternative to instant access bank accounts.

2.7 The amount of any specified investment can be up to 100% of the Council’s available funds for investing.

3. **SPECIFIED INVESTMENTS**

3.1 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 and Parish Council will automatically be specified investments.

3.2 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, other public authorities or other AA rated public sector deposit/ investment funds.
* The Debt Management Agency of HM Government

3.3 The Council’s current investments are:

* Handelsbanken – Current Account – Day to day account.
* Handelsbanken – Deposit Account - Day to day account.

4. **NON-SPECIFIED INVESTMENTS**

4.1 Any investment not meeting the definition of a specified investment is classed as non-specified.

4.2 Non-specified investments will therefore be limited to long-term investments i.e., those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies or schemes not meeting the definition on high credit quality. These investments have greater potential risk – examples include investment in the money market, stock, and shares.

4.3 Capital growth of the fund should be considered and equal to RPI whilst being consistent with other priorities.

4.4 The Council’s exposure to this type of investment is none.

5. **LIQUIDITY OF INVESTMENTS**

5.1 The Finance and General-Purpose Committee will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.

5.2 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.

6. **LONG TERM INVESTMENTS**

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

6.2 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.

6.3 The Council **does not currently** hold any funds in long term investments. Such investments will only be made having sought advice where appropriate from Independent Financial Advisors or the Treasury Management Team at Shropshire Council.

7. **REPORTING ON INVESTMENT PERFORMANCE**

7.1 Investment performance statements will be circulated half – yearly to the Finance and General-Purpose Committee.

7.2 The Council will ensure that the Committee and Clerk/RFO have sufficient training to underpin their responsibility to scrutinise this treasury management function.

7.3 Investment forecasts for the coming year are accounted for when budgets are prepared. At the end of the financial year the RFO will report on investment activity to the Full Council.

8. **EXTERNAL BORROWING STRATEGY**

8.1 **INTRODUCTION**

The Town Council acknowledges the importance of borrowing funds and the financial impact on the Council. It therefore takes into consideration the following before indebting the community.

8.2 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 the Full Council.

9. **PRINCIPLES**

9.1 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.

9.2 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. There is no national limit on the total annual amount of borrowing available to local councils in England. However, the amount that an individual council will be allowed to borrow is normally limited to £500,000 in any one financial year.

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

* The borrowing should only be used for the purpose of capital expenditure defined by Section 16 of the Local Government Act 2003.
* The borrowing amount should not be less than £2.50 x by the number of local government electors in the area of the Council on the first day of the current financial year (1st 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 cash flow.
* The Council must not mortgage or charge any of its property as security for money borrowed.

10. **INTEREST RATES**

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

10.2 The Council feels that the fixed term rate 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.

11. **PERIOD OF LOAN**

11.1 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.

11.2 The maximum period will begin on the date on which the money is borrowed and will be:

* 50 years for acquisition of all work on/or to land, buildings, roads or structures (excluding street lighting) or
* 25 years in all other cases

12. **CURRENT EXTERNAL BORROWING**

12.1 The Council’s external borrowing position as at the 1April 2023 is as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Source of  Borrowing & Year | Amount | Term  of Loan | Rate of Interest | Balance Outstanding on 1 April 2023 | Purpose |
| PWLB  2002 | £100,000 | 25 yrs. | 5.5% | £16,000 | Purchase extension to burial grounds and Layout Town Park |

13. **FURTHER ANTICIPATED EXTERNAL BORROWING**

13.1 The Town Council are not currently considering any further loans.

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

14 **REVIEW AND AMENDMENT OF REGULATIONS**

14.1 This Strategy will be reviewed annually.

14.2 The annual strategy for the coming year will be prepared by the RFO and presented for approval by the Finance and General-Purpose Committee before being adopted by Full Council.

14.3 The committee reserves the right to make variations to the Strategy at any time subject to the approval of Full Council. Any variations will be made available to the public.

15. **FREEDOM OF INFORMATION**

15.1 In accordance with the Freedom of Information Act 2000 this document

will be posted on the Council’s website.