

WATERBEACH PARISH COUNCIL

Treasury management Investment strategy 2019/2020

Introduction

This document sets out the Treasury Management Policy for Waterbeach PC.

The Council acknowledges the importance of prudently investing any cash balances that it holds during the course of its normal business of behalf of the community. It is committed to prudent Treasury Management to ensure that it maintains the security of its cash balances whilst retaining sufficient liquidity to meet its revenue spending plans. In particular it will look to ensure that:

Any capital expenditure plans are affordable

Any external borrowing and other long-term liabilities are within prudent and sustainable levels.

In accordance with Section 15(1) of the Local Government Act 2003, the Council will have regard to any guidance and regulations that the Secretary of State may issue.

Investments

The Council's investment priorities are the security of its cash reserves and the liquidity of its investments. The Council will aim to achieve the optimum return on its investments commensurate with the appropriate level of risk management and the security and liquidity of its cash balances.

Specified investments are those offering high security and high liquidity, made in sterling, with a maturity of no more than one year.

During 2019/2020 the Council will only make deposits in specified investments with UK High Street banks and Building societies, other UK Government authorities (incl local authorities), and UK FCA regulated qualifying money market funds with a triple A rating.

The council's deposits are currently held with:

Cambridge and Counties – 30 day notice Business Savings
Close Brothers – Business 6M BMA
Unity Trust – current account
CCLA - Public sector deposit fund
Cambridgeshire Building Society – Easy Access Council Saver

Non specified investments are usually for longer period (of more than a year) and with bodies that are not highly credit rated. They have greater potential risk – examples include investment in currencies, commodities and stocks and shares. Given the unpredictability and uncertainties surrounding such investments, the Council will not use this type of investment.

The Ministry of Housing, Communities and Local Government (MHCLG) Guidance¹ maintains that borrowing of monies purely to invest or lend and make a return, is unlawful and this Council will not engage in any such activity.

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/678866/Guidance_on_local_government_investments.pdf

Liquidity

The Council will aim to hold no more than 6 month's planned expenditure in the current account.

Long term investments

Long term investments are defined as greater than one year in duration. Any decision to make long term investments will be made by the full Council, which will agree the amounts and length of the investment, and use the same criteria for assessing LT investment as identified above for specified investment.

The security of all such investments will be the paramount considerations before the yield arising from any such investments which may be made.

No new long term investments are planned for 2019/2020.

Risk assessment

Parish Council deposits became eligible for protection under the bank of England's Financial services Compensation Scheme in July 2016. To be fully protected, an organisation should have no more than £85,000 on deposit with any one Prudential Regulation Authority (PRA) authorised company. Therefore the Council will limit the total of current deposits with each party to £85,000 to afford the fullest possible protection under FSCS. The Council will have appropriate savings accounts to hold its reserves.

Where FSCS is not applicable, the Council will only invest in bodies with a high credit profile. Where credit ratings are used, procedures for taking action if credit ratings change will be agreed by the full Council before a change is effected.

The Council does not employ, in house or externally, any financial advisors but will rely on information which is publicly available.

Any departure from this strategy will need the approval of the full Council.

Reporting on investment performance

Investment performance statements and the Councils investment portfolio will be reported each quarter to the Finance Committee and annually to the Council.

External borrowing

The Council acknowledges that there may be times when it needs to seek borrowing approval to support its capital expenditure priorities. The Council will only agree borrowing for specific capital projects as defined in Section 16 of the Local Government Act 2003. Before a council can borrow a sum of money, it must obtain a borrowing approval from MHCLG. The application has to be submitted via the CAPALC who will review the application, make sure that it is complete, and then forward it to MHCLG for approval.

The process to be followed, and the criteria applied in deciding whether or not borrowing approvals are likely to be forthcoming, are detailed in the Guide to Parish and Town Council Borrowing in England, jointly published by the MHCLG and NALC²³.

All such borrowing applications must be approved by full Council.

The Council currently has one loan with the Public Works Loan Board with £9,000 remaining to be paid off.

S106 Funding

S106 contributions are defined as Planning obligations under Section 106 of the Town and Country Planning Act 1990 (as amended). Commonly known as S106 agreements, they are a mechanism which make a development proposal acceptable in planning terms that would not otherwise be acceptable. They are focused on site specific mitigation of the impact of development. S106 agreements are often referred to as 'developer contributions'.

The Council will observe the requirements and restrictions on fund utilisation as they are set out legislation and in each individual S106 agreement. It will validate S106 eligibility on its proposals with the S106 Officer at South Cambridgeshire District Council.

ADOPTION AND REVIEW

The strategy was adopted by Waterbeach Parish Council in May 2019. It will be reviewed annually and ratified by Council in January each year, in conjunction with the consideration of the budget requirements.

Adopted by the Council: 6 May 2019

Next review January 2020.

² <https://www.gov.uk/government/publications/2010-to-2015-government-policy-local-government-spending/2010-to-2015-government-policy-local-government-spending#appendix-2-parish-and-town-council-borrowing-approval>

³ <https://www.dmo.gov.uk/responsibilities/local-authority-lending-pwlb/parish-councils-and-drainage-boards/>