

Amble Town Council

Treasury Management / Banking Strategy

2018/19

1.0 INTRODUCTION

1.1 Treasury Management is defined by the CIPFA Treasury Management Code of Practice as:

“The management of the Councils 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”.

1.2 The Town Council is required to determine an annual Investment Strategy – its purpose is to ensure that:

- a) Any and all external borrowing and other long-term liabilities are within prudent and sustainable levels;
- b) Treasury Management decisions are taken in accordance with good professional practice.

1.3 The Council will also from time to time need to borrow money which, whilst it may borrow by temporary loan or overdraft to meet expenses pending the receipt of revenues receivable, will invariably be required to meet capital expenditure.

2.0 INVESTMENT STRATEGY

2.1 ATC will from time to time have surplus funds available. These funds arise from the fact that 50% of the annual precept is paid to the Council in April and September each year, to cover expenses incurred throughout the year. In addition, there will be a level of reserves or balances at the end of each year, representing the extent to which expenditure has fallen below resources available over the years.

2.2 It is important that such funds are invested prudently with due regard to the Council Tax payers and to the priorities of security and liquidity of those investments. This means that the Council will aim to maximise the return on its investments, taking into account the need for the funds to be secure.

2.3 All of the Council’s investments will be Specified Investments, which means that they will be:

- a) Made in sterling and any payments or repayments will also be in sterling;
- b) Short-term investments, not to exceed 12 months;
- c) Made with a body or an investment scheme which has been awarded a high credit rating.

2.4 A high credit rating will be defined as “A – High Credit Quality”

2.5 Credit ratings will be monitored regularly and if the rating falls, consideration of the appropriate action to be taken will be given at the next Council meeting.

- 2.6 In general terms, the Council will only invest in deposits with banks, building societies, The Public Sector Deposit Fund, local authorities or other public authorities. As a result of the uncertainty and unpredictability involved, the Council will not invest in the money market, stocks and shares.
- 2.7 The Clerk as Responsible Financial Officer (RFO), has delegated responsibility for the investment of surplus funds within the terms of this Strategy.
- 2.8 The Council acknowledges that borrowing money purely to invest, or to lend and make a return, is unlawful and this practice will not be followed.
- 2.9 Currently, ATC has 3 bank accounts:
- a) A Barclays Community Account (pays all invoices and receives some income) currently as at 30th November a balance of £72,927
 - b) A Santander Business Savings (Corporate) Account (receives income from e.g. cemeteries) currently as at 30th November a balance of £155,138
 - c) A Santander Business Account (used as a deposit/savings account) currently as at 30th November a balance of £62,135

The total of deposits in the 3 accounts total £290,200.

- 2.10 At the end of each financial year, the RFO will prepare a report on investment activity for consideration.
- 2.11 The level of balances and reserves to be held will be between:

Minimum of 10% of Budgeted Expenditure i.e. £ 20,990

*Maximum of twice the level of Precept i.e. £ 371,500

*(Unless there is a council decision to increase balances to fund a larger project in the future)

- 2.12 It is proposed that:

- a) The two Santander Accounts are closed
- b) To use the Barclays Community Account for all receipts and payments
- c) £100,000 of balances be placed in the Public Sector Deposit Fund with Charities, Churches and Local Authorities (CCLA) for the period 1st April 2018 to 31st March 2019. The CCLA Deposit fund has a “triple A” rating i.e. The Highest Quality rating.

*(A full appraisal of the Public Sector Deposit Fund can be found at Appendix A)

3.0 EXTERNAL BORROWING

- 3.1 No borrowing approval is required for temporary loans or borrowing by way of an overdraft. However, in order to borrow to fund capital expenditure approval must first be given by the Department for Communities and Local Government in the form of a Loan Sanction and supported by NALC. 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 the Department and NALC.
- 3.2 The Council recognises that there are other methods of raising resources for capital financing, other borrowing including the use of Council Reserves, revenue financing, Government and EC grants, Lottery funding, leases and contributions from other partners and stakeholders.

4.0 CURRENT EXTERNAL BORROWING

- 4.1 ATC currently has no loans from the Public Works Loan Board (PWLB).
- 4.2 The Council does not anticipate any external borrowing to be undertaken during 2018/19.

5.0 DAY TO DAY BANKING

- 5.1 Under current arrangements all invoices are paid monthly following the signing-off of the cheque at the monthly Council Meeting. This process of paying invoices is administratively cumbersome and could mean that those supplier invoices received the day after the Council meeting may wait in excess of the normal 30 days allowed for payment. This could result in default interest being applied.

Moreover, a significant proportion of the Council's payments being made by cheque are to suppliers providing their bank payment details on invoices. The Government and banks are looking to phase out cheques in the foreseeable future.

5.2 Movement towards making all payments electronically via bank transfer

All Councils are being encouraged to modernise their payment processes to become more efficient and more environmentally aware and as a consequence it is proposed to move towards making all of the Council's payments electronically within a short timescale.

I do not envisage this change causing too much inconvenience to the majority of the Council's payees as it would result in earlier payment and compliance with normal commercial practice. There may be the odd occasion where payment by cheque is necessary; however I am confident that such occasions will be few and far between.

5.3 Proposed New Arrangements

The Clerk was tasked by Council to investigate the payment of invoices by electronic banking systems, however, cheque payments will still be an option for those who cannot or do not wish to be paid directly by transfer.

It is proposed that the Clerk/Administration Assistant will enter supplier and invoice details onto Barclays e-banking system. Those Members who are designated bank signatories will then authorise the payment of funds via the e-banking complex mandate system, two electronic signatories will still be required.

The Clerk will enter those invoices received onto the e-banking system on a Tuesday and Friday morning, Members will authorise any payments on the e-banking system by 3 pm in order for the payment to be made that day.

The Clerk will prepare an Authorisation of Payments list, containing those invoices paid, and will present this list to the monthly meeting of Council for formal endorsement.

Summary - The Public Sector Deposit Fund/CCLA:

Churches, Charities & Local Authorities (CCLA) is a mutually owned firm of investment managers, owned by LAMIT (Local Authorities Mutual Investment Trust), the Church of England (Central Board of Finance) Investment Fund and the Charities (COIF) Investment Fund;

We have 36,000+ clients and manage £7.8bn+ of cash and investments;

The Local Government Association appointed us to develop the Fund in collaboration with the sector, as a result of the Icelandic banking crisis. It was launched in May 2011;

It is a AAmmf rated (Fitch Ratings) money market fund with the priorities of security, liquidity and yield;

The Fund boasts strong governance with an Advisory Board made up of representatives of the LGA, CIPFA and treasury specialists from the sector including representatives of the LB of Waltham Forest and the GLA;

Transparency is key with everything published on CCLA's website - <https://www.ccla.co.uk/investment-solutions/fund/the-public-sector-deposit-fund>. You will find the latest yield (0.3450% at close of business on 12/12/17), yield history, counterparty exposure, fund size, outstanding transactions by maturity date, etc - all updated at close of business each day;

The Fund is managed on a very conservative basis (beyond the requirements of AAA-rating), only using plain cash products with well rated (minimum F1 short term) banks: call; notice; term and certificates of deposit - the kind of products that Councils themselves feel comfortable using. There is no exposure to the stock market, derivatives, other funds, asset backed securities - nothing exotic;

The minimum initial investment is just £25,000 so there are a number of parish and town councils making use of the Fund, besides principal authorities;

Access is same day. We have an 11:30 cut-off time for instructions;

The Fund has exceeded £250m (currently £400m+) under management with 370+ clients (including 10 County Councils, 240+ Parish, Town and Community Councils and 70+ District/Borough Councils, Police, Fire plus the LGA, NALC, 6 County Associations, SLCC and NILGA), a trigger point for the activation of additional share classes. However, the minimum requirement for share class 4 investors (£15m) has been waived for the time being to allow all investors to take advantage of the lowest fee and most favourable yield, highlighted above. The yield we quote on-line is net of all fees;

Finally, as the Fund grows and a dividend payment would be due to LAMIT, it has been agreed to reduce fees in the true spirit of mutuality. As a share class 4 investor the fee is currently 0.08%, reduced from 0.10% in November 2015.

