

LYMINGTON and PENNINGTON TOWN COUNCIL

TREASURY MANAGEMENT POLICY STATEMENT

1. DEFINITION OF THE APPROVED ACTIVITIES OF THE TREASURY MANAGEMENT OPERATION

- 1.1 Responsibility for the activities of the treasury management operation has been delegated to the Responsible Financial Officer (RFO) under Section 151 of the Local Government Act 1972.
- 1.2 The activities of the treasury management operation cover the following:
1. analysing internal and external information, cash flow management and methods of transmitting money, i.e. by cheques, bank transfers, Bank Automated clearing system (BACS), Clearing House Automated Payments System (CHAPS) and Direct Debit.
 2. investing temporary surpluses in approved investments and financing capital expenditure by approved borrowing instruments.
 3. ensuring that the repayment dates for the Council's borrowing are reasonably spread out. i.e. the borrowing profile.
 4. dealing with other financial institutions such as banks and the Public Works Loan Board. (PWLB)
 5. ensuring that effective security and controls are in place and an effective operation is reviewed and adhered to.
 6. ensuring that adequate banking arrangements are made and monitored for the Council.

2. FORMULATION OF TREASURY MANAGEMENT STRATEGY

- 2.1 The Council will formulate a strategy that covers the raising of capital finance, investment of surplus money and managing cash flow. Treasury management activities in the year should be conducted in accordance with the strategy
- 2.2 When entering into treasury management investments the Council will consider security, liquidity and yield in that order of importance, in line with statutory guidance on Local Government Investments

3. DEFINITION OF APPROVED SOURCES OF BORROWING

- 3.1 The following list specifies which borrowing instruments the Council may use:
- Public Works Loan Board
 - Money Market Loans - Temporary (loans up to 364 days)
 - Local temporary borrowing
 - Bank Overdraft
 - Council's own internal funds (capital receipts and revenue balances)
 - Leasing

3.2 No other instrument other than those listed above may be used.

4. APPROVED INSTRUMENTS FOR INVESTMENTS

The Council will only use fixed, short-term, which will not exceed a maximum of 12 months, cash deposits in sterling in approved financial organisations for investments. The maximum amount that can be invested with any one organisation will be £500,000 but this limit is waived until such time as the funds received from the sale of access rights over Alexandra Road have been spent but consideration should be given where possible to minimising risk. Since 3rd July 2015 we are no longer covered by the Financial Services Compensation Scheme (FSCS - £75,000) as we are defined as a large local authority and only the smaller local authorities are covered. The definition is those with budgets of less than €500,000 on the day of enforcement (3/7/15 as per Bank of England Prudential Regulation Authority Policy statement PS9/15).

5. DEFINITION OF APPROVED ORGANISATIONS FOR INVESTMENTS

The following organisations constitute the counterparties with whom temporary investments will be made.

5.1 Banks which are UK clearing banks or which are incorporated in the UK, ensuring that banks are not part of the same group of companies.

5.2 Building Societies

The Council may invest in a UK registered Building Societies. Again attention needs to be paid to ensure that any Building Society used has its own FSA authorisation number.

5.3 Other Local Authorities or other UK regulated institutions or funds

The Council may invest temporarily with all other local authorities. The maximum each one may borrow is £250,000 for a period which will not exceed a maximum of 12 months.

5.4 Accidental Breach of Limits

The Council will operate "daylight exposure". This is a technique that ensures that in no circumstances can limits be exceeded. Normally, in calculating the amount of investment, the RFO is entitled to assume that a sum due back from an organisation will be received on the due date before making a further investment with that organisation. If for some technical reason the repayment does not arrive in the Council's bank account it is possible that, after a new investment is made with the same organisation, limits will be exceeded.

5.5 In addition, transfers between the Council's current and deposit accounts shall be permitted up to a maximum of £100,000 per day, to maximise interest earnings on surplus funds that cannot be placed in time deposits (usually for a minimum of one month)

6. POLICY ON DELEGATION

- 6.1 The RFO is authorised by the Council to exercise the investment and borrowing powers of the Council in accordance with Council Policy, The Chartered Institute of Public Finance and Accountancy's (CIPFA) Standard of Professional Practice on Treasury Management, and professional codes of practice.
- 6.2 The RFO may delegate the operations of Treasury Management to the Town Clerk in connection with the approved activities of Treasury Management, with prior approval of the Chairman of Policy and Resources Committee.
- 6.3 Any changes to delegated powers will be approved by Policy and Resources Committee.

7. REVIEW REQUIREMENTS AND REPORTING ARRANGEMENTS

- 7.1 The RFO will report to the Policy and Resources Committee on Treasury Management as follows: -

ANNUALLY - Report on Investments
MAY - for the annual report for the previous year.

Adopted on 17 May 2023