

## HARPENDEN TOWN COUNCIL

### TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2020–2021

#### **1 Executive Summary**

- 1.1 In accordance with The Local Government Act 2003 local authorities are required to produce an Investment Strategy annually. This document covers potential levels of borrowing and investments.
- 1.2 The Council will maintain interest bearing accounts for its surplus resources, but may from time to time invest in short term fixed interest investments. These investments will be with its nominated bank, Lloyds Bank, or other approved institutions.
- 1.3 The Council may also invest in a pooled qualifying money market fund. This may be with an approved bank or with an approved institution regulated by the UK PRA with a 'AAA' credit rating.
- 1.4 Investments will normally be made within the limits set out in the Town Council's counterparty list but may be made outside this list following advice received from a Principal Authority and approval by the Chair and Vice Chair of the Corporate Policy and Finance Committee.

#### **2. Background**

- 2.1 Decisions on borrowing, investment and financing are delegated to the Town Clerk and Responsible Financial Officer, being reported to the Accounts and Risk Sub-Committee and Corporate Policy and Finance Committee at the earliest opportunity.
- 2.2 The Local Government Act 2003 introduced a new prudential capital finance system from 1 April 2004. Local Councils do not fall under the prudential code and are required to seek consent for any borrowing from the Secretary of State.
- 2.3 Local authorities have the power to invest to ensure the prudent management of their financial affairs but must take note of any guidance on investments issued by the Secretary of State.
- 2.4 Investments will be made with reference to cash flow requirements, the outlook for short-term interest rates and the Council's investment priorities will be:
  - Security; then
  - Liquidity; then
  - Return.

### **3. Treasury Management**

- 3.1 Subject to any decision by Council, and approval by the Secretary of State to undertake borrowing, capital expenditure not reimbursed by grant or met from third party contributions or capital receipts will be financed by means of revenue contributions.
- 3.2 Any Council funds will be aggregated for Treasury Management purposes to minimise external borrowing and investment. Given the current level of balances it is not anticipated that any additional external borrowing will be required during this year.
- 3.3 Estimated levels of external borrowing and investments for 2020/2021 are:

	1 April 2020 £'000	31 March 2021 £'000
Short term borrowing	NIL	NIL
Interest bearing fixed term		
Bank Deposits	2,000	3,000
On call Bank Deposits	100	100
AAA Money Market Funds	200	200
Net investments	2,300	3,300

- 3.4 The Council has no proposals to invest sums for periods longer than 365 days.
- 3.5 Borrowing and investments will only be affected with banks, building societies, other local authorities, qualifying money market funds regulated by the UK PRA and the National Debt Office (formerly PWLB). Only institutions and bodies meeting the criteria laid out in section 5 will be considered.

### **4. Security of Investments**

- 4.1 The Local Government Act 2003 requires a local authority to approve an Investment Strategy, which will distinguish between specified investments and non-specified investments and that priority should be given to security and liquidity rather than yield.
- 4.2 Specified investments are those offering high security and high liquidity with a maturity of no more than a year. In addition, short-term sterling investments must be with bodies/institutions with "high credit ratings".
- 4.3 Non-specified investments are usually for longer periods (i.e. more than one year) and with bodies that are not highly credit-rated. No non-specified investments are included in the Investment Strategy as these investments are not acceptable due to their higher potential risk.

### **5. Investment Strategy 2020/2021**

- 5.1 The Council will ensure that as a minimum, surplus funds will be aggregated in an interest bearing bank account.

- 5.2 The Council will invest in Specified Investments i.e. in sterling investments of no more than one year with its nominated bank, Lloyds Bank, or other investment bodies or institutions with high-credit ratings. These investments will be put in place when funds are of sufficient size to make such investments practical. The Town Clerk and Responsible Finance Officer will evaluate the funds available and invest them in line with the approved counterparty list taking into account interest rates available and current credit ratings of institution.
- 5.3 Any investment in an institution not included on the counterparty list, will meet the criteria set out at paragraph 5.5 and will only be made following approval of the Chair and Vice Chair of the Corporate Policy and Finance Committee.
- 5.4 Approved counterparty list:

UK Bank / Part Nationalised Bank / UK Building Society	Max. Funds to be Invested	Max. Investment Term
Lloyds Bank – current account *	£500,000	immediate access
Lloyds Bank	£1,000,000	6 months
HSBC	£100,000	Immediate access
HSBC	£1,000,000	6 months
Nationwide Building Society	£1,000,000	6 months
'AAA' Rated Money Market Fund		
CCLA PSDF	£200,000	immediate access
CCLA PSDF Property Fund	£500,000	5 years

\* *This limit may be breached to facilitate cash management or when the precept is received.*

- 5.5 The Council will only invest in institutions and bodies meeting the following criteria:
- (a) UK Clearing Banks and their 100% subsidiaries;
  - (b) Other UK Banks;
  - (c) Public Bodies (including Local Authorities and Police Authorities);
  - (d) The top UK Building Societies (i.e. those with assets exceeding £3.0bn);
  - (e) UK PRA regulated qualifying money market funds with a 'AAA' rating.
- 5.6 As the Council does not utilise creditworthiness advice services it will periodically consult with a Principle Authority to review the current credit worthiness of its counterparty list.
- 5.7 The Council will have regard to guidance published by recognised accounting bodies, i.e. the Chartered Institute of Public Finance and Accountancy (CIPFA) in managing any investments.