

# **TREASURY MANAGEMENT PLAN**

## **A. INVESTMENTS**

### **1. INTRODUCTION**

Thattham Town Council acknowledges the importance of prudently investing the monies under its control which are held on behalf of the community.

This document sets out the parameters and operational issues for investing surplus funds of the Thattham Town Council ('the Council'). This plan has been prepared in accordance with the Statutory Guidance on Local Government Investments 3<sup>rd</sup> Edition ('the Guidance') issued under section 15(1) of the Local Government Act 2003, effective from 1<sup>st</sup> April 2018.

In accordance with Section 15(1)(a) of the Local Government Act 2003, the Council will have regard to:

- (a) such guidance as the Secretary of State may issue, and
- (b) such other guidance as the Secretary of State may by regulations specify.

The guidance applies to town and parish councils providing their total investments exceed or are expected to exceed £100,000 at any time during the financial year. Where a town or parish council expects its total investments to be between £10,000 and £100,000, it is encouraged to adopt the principles in this guidance.

This plan establishes formal objectives, policies and practices and reporting arrangements for the effective management and control of the Council's treasury management activities and the associated risks and should be read in conjunction with the Council's Financial Regulations.

For the purpose of this plan, the Responsible Financial Officer (RFO), is the Town Clerk.

### **2. INVESTMENT OBJECTIVES**

The Council defines its treasury management activities as "*the management of the Council's cash flows, its banking and money market transactions, the effective control of the risks associated with those activities and the pursuit of best value performance consistent with those risks*".

The Council's prudential investment objectives are:

- The security of its reserves, and
- The adequate liquidity of its investments.

The generation of yield is distinct from these prudential objectives. Once proper levels of security and liquidity have been determined, the Council will aim to achieve an optimum return on its investments, commensurate with proper levels of security and liquidity.

The Council will monitor the risk of loss on investments by reviewing credit ratings on a regular basis. The Council will only invest in institutions of high credit quality – based on information from credit rating agencies.

The Council will not borrow more than, or in advance of, its needs purely in order to profit from the investment of the extra sums borrowed.

### **3 CATEGORIES OF INVESTMENTS**

Specified investments are those offering high security and high liquidity, made in sterling, with a maturity of no more than a year and not defined as capital expenditure.

Investments placed with a body which has a high credit rating or made with the UK Government, a UK Local Authority or a parish or community council are specified investments.

Non-specified investments are any financial investments that are not a loan and do not meet the criteria to be treated as a specified investment.

### **4 INVESTMENT STRATEGY**

The Council will only invest in institutions of high credit rating (low credit risk). Reference will be made in the assessment of credit worthiness to the general economic and political environment in which institutions operate. All significant sources of information will be scrutinised, including information from the main credit rating agencies (Standard and Poor's, Moody's Investors Services Ltd, and Fitch Ratings Ltd).

The Council will have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) 2017 Edition "Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes" in managing any investments.

The Council will not invest in non-specified investments.

The Council will invest the approved minimum reserve in short-term fixed interest investments.

The Council will maintain interest bearing accounts for its surplus working balances.

The Council will invest its surplus residual balances in a pooled qualifying money market fund. This may be with an approved bank or with an approved institution regulated by the UK FSA with a "AAA" credit rating.

Investments will be spread over different providers where appropriate to minimise risk.

Ideally, sums will not be invested in fixed term deposits for longer than one year. However, it should be noted that some banks have recently increased their minimum investment period to 18 months or 2 years, similarly increasing their minimum investment to £100,000. This will be considered by the RFO, Finance Manager and Investment Working Party at the time of each maturity to determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.

For the prudent management of its treasury balances the Council will use:

- Deposits with banks, building societies or other public authorities
- Other approved public sector investment funds

Those investments which have greater potential risk (e.g. investment in the money market, stocks and shares) are inherently unpredictable and uncertain, and as such the Council will not use this type of investment.

The maximum amount to be invested in a single approved organisation is £100,000.

The Council will consider the environmental, social and governance (ESG) standards of all organisations it invests money with.

## **5 APPROVED ORGANISATIONS**

The day-to-day banking is with NatWest Bank. The investments will be split between banks and institutions approved by the Council from time to time. Approved banks and funds are set out in Schedule A which may be amended from time to time on a recommendation from the Finance Manager or RFO.

Investment movements will be carried out between approved organisations by the Finance Manager or RFO, following approval by the Investment Working Party, and in accordance with the investment objectives.

Transfers between the Council's current and deposit accounts shall be permitted, to maximise interest earnings on surplus funds that cannot be placed in time deposits (usually for a minimum of one month).

## **6 AUTHORISATIONS**

All transactions shall be carried out by the Finance Manager or RFO, under the direction of, and with the pre-authorisation of, the Investment Working Party.

Time deposits shall be negotiated and placed on a day-to-day basis by the Finance Manager or RFO.

Transfers between the Council's bank accounts shall be carried out by the Finance Manager or RFO.

Transfers between the NatWest bank accounts shall be carried out by the Finance Manager or RFO.

## **7 INVESTMENT REPORTS**

The Finance Manager will provide reports on investment activity to the Finance and General Purposes Committee quarterly in January, April, July and October, and to the Investment Working Party as needed.

## **8 REVIEW AND AMENDMENTS**

The Treasury Management Plan will be prepared annually by the RFO and presented to the Finance and General Purposes Committee for review prior to presentation to Full Council for adoption.

The Council reserves the right to make variations to the Treasury Management Plan at any time on receipt of a report from the Finance Manager or RFO. Any variations will be available to the public.

## **9 FREEDOM OF INFORMATION**

In accordance with the Freedom of Information Act 2000, the Council's Treasury Management Plan will be published on the Council's website and will be available as a hard copy from the Town Council office.

## **B. GENERAL RESERVES POLICY 2023-24**

### **1. INTRODUCTION**

Thatcham Town Council ('the Council') is required to maintain adequate financial reserves to meet the needs of the organisation. The General Reserves Policy and position will be reviewed and revised as part of the annual budget setting process. The General Reserves position will be monitored, and reviewed, if necessary, by the Finance and General Purposes Committee quarterly in January, April, July and October.

The purpose of General Reserves is to minimise the possible financial impacts to the authority from:

- Emergencies
- Unforeseen events
- In-year emerging issues

This includes:

- providing protection against risk
- ensuring contingencies are in place.

The purpose of this policy is to set out how the Council will determine and review the level of its General Reserve. The General Reserve is where all the revenue income and expenditure of the Council is accounted for. It does not include specific funds which have been earmarked for long-term projects.

Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to have regard to the level of reserves needed to meet future expenditure when calculating the budget requirement. The amount that councils need, or choose to hold in their reserves, varies according to local circumstances. Elected members are responsible for deciding what reserves their council holds when setting the budget; informed by their longer-term spending plans (LAAP Bulletin 99<sup>1</sup>). There is no set formula for determining the level of reserves that each council should have, and no consensus on what is appropriate, too low, or too high (Audit Commission: Striking a Balance<sup>2</sup>). Consequently, there is no specified minimum or maximum level of reserves that the Council should hold. It is the responsibility of the RFO to advise the Council about the level of reserves and to ensure there are key protocols for their establishment and use.

### **2. TYPES OF RESERVES**

The Council has two types of reserves:

#### **(a) General Reserves**

General reserves are funds which do not have any restrictions as to their use. These reserves operate as a working balance to help manage the impact of uneven cash flows.

They can also be used to smooth the impact of significant pressures, offset the budget requirement if necessary, or can be held in case of unexpected events or emergencies. In general, a robust level of reserve should be maintained and should take account of operational and financial issues facing the Council.

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<sup>1</sup> CIPFA (The Chartered Institute of Public Finance & Accountancy) LAAP (Local Authority Accounting Panel) BULLETIN 99 Local Authority Reserves and Balances July 2014

<sup>2</sup> Improving Councils' decision making on reserves December 2012

**(b) Earmarked Reserves**

Earmarked reserves provide a means of accumulating funds, for use in a later financial year, to meet known or planned policy initiatives and are the subject of a separate review.

**3. ADEQUACY OF RESERVES**

The assessment of the adequacy of the Council's balances and reserves is based on the CIPFA guidance note on Local Authority Reserves and Balances, which, whilst there is not a statutory requirement, is considered to set out current best practice with regard to balances and reserves. The guidance states that no case has yet been made to set a statutory minimum level of reserves and that each local authority should take advice from its RFO and base its judgement on local circumstances.

A well-run authority with a prudent approach to setting its budget will consider its level of General Reserves each year. These General Reserves will need to be supported by earmarked reserves for specific needs, contingencies and commitments. In assessing the level of the Council's general reserves, account needs to be taken of the risks facing the Council in terms of any significant unforeseen expenditure requirements.

**4. FINANCIAL RESPONSIBILITY**

The Council is responsible for the overall management and control of the Town Council's finances, with day-to-day management duties delegated to the Finance and General Purposes Committee (except as provided in Local Government Act 1972 s101).

The role of the Council is to review the level of its balances and reserves and consider the level of General Reserve to be applied to the precept for each year.

**5. ROLE OF RESPONSIBLE FINANCIAL OFFICER**

It is the responsibility of the RFO to advise the Council about the level of General Reserve that it should hold and ensure that it has clear protocols for its establishment and use.

There are four significant safeguards in place against the Council over committing itself financially:

- The balanced budget requirement
- RFO's S114 powers<sup>3</sup>
- The External Auditor's responsibility to review and report on financial standing
- The year-end report from the Council's Auditor

Thatcham Town Council, on the advice of its RFO, is required to make its own judgments on the level of reserves, taking into account all relevant local circumstances.

The RFO has a fiduciary duty to local taxpayers and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.

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<sup>3</sup> Local Government Finance Act 1988 s114

## 6. GENERAL FUND RESERVE

The in-year use of General Reserves Minimum Balance requires Council approval following a recommendation by the Finance and General Purposes Committee.

The in-year use of General Reserves Working Balance requires approval of the Finance and General Purposes Committee and must not be used for any level of recurring spending, unless that spending will be included in the Revenue Budget for the following financial year.

The in-year use of Earmarked Reserves requires approval by the Finance and General Purposes Committee, or relevant Committee.

There is no prescribed level of General Fund Reserves but between 25% to 30% of the annual precept ensures adequate provision in the event of any unforeseen occurrence which would affect cash flow. As such, £220,000 is held in a General Fund – Minimum Reserve.

		<b>25%</b>	<b>30%</b>
<b>2023/24 Precept</b>	885,361	221,340	265,608
<b>2022/23 Precept</b>	810,015	202,503	243,004

## 7. RISK ASSESSMENT

Risks can be identified as follows:

- risks from potential one-off events
- risks which will have general financial consequences.

In all types of undertaking there is the potential for events and consequences that may either be opportunities for benefits or threats to success. Risk management identifies what can go wrong and how to take proportionate steps to avoid this or successfully manage the consequences. The failure to manage risks effectively can be expensive in terms of litigation and reputation, and the ability to achieve desired targets, and, eventually, on the local community's Council Tax bills.

In order to assess the adequacy of unallocated General Reserves, it is necessary to place an estimated financial value on the key strategic, operational and financial risks facing the authority and set aside a reasonable provision. The value of the risks to Thatcham Town Council have been estimated by:

- considering the probability of each risk
- considering the range, nature, complexity, and scale of the risk
- evaluating the financial consequences of each risk by taking into consideration budgeted figures for income and expenditure
- setting aside amounts where applicable to cover contingencies
- having regard to the provisions made by Councils of a similar size and operation.

## 8. INSURANCE COVER

The greatest risk facing the Council is not being able to deliver the activity or services expected of it. The Council manages many of the underlying risks when it reviews the robustness of insurance providers, insurance, and its systems. The Council's insurance cover is tailored to suit the needs of the Council. Employer's Liability (£10,000,000), Public Liability (£10,000,000) and Fidelity Guarantee (£1,000,000) are statutory requirements under The Compulsory Insurance Act (1969) and S114 of the Local Government Act (1972). Other voluntary areas of cover include all risks (protection of physical assets), money, hirer's liability, libel and slander, personal accident and legal expenses.

Risk	Effects	Action	Value of Risk £
Loss of Income	Substantial disruption of income streams		60,000
	Income from fees/charges affected by economic conditions locally and nationally		15,000
Recruitment plans	Additional advertising costs to attract staff, cost of agency staff		5,000
Major loss of service through fire/flood structural damage	Severe weather – staffing, materials costs	Emergency plan	10,000
	Premises not operational	Disaster recovery plan	60,000
	Insurance claims	Claims management	30,000
ICT security/data corruption	Loss of service	Security policies	10,000
Legal costs/Industrial relations	Costs relating to service provision		15,000
	Costs relating to the General Data Protection Regulations (GDPR)		15,000
<b>OVERALL RISK QUANTIFIED</b>			<b>£220,000</b>

Note: in addition to the £220,000 General Fund – Minimum Balance, there is a General Fund - Working Balance which represents funds that are not earmarked for a specific purpose. (balance of £86,903 as at 1<sup>st</sup> April 2023).

## 9. CONCLUSION

Reviewing the Council's Financial Risk Assessment is part of the budgeting procedure. It helps to identify planned and unplanned expenditure items and thereby indicates an appropriate level of reserves. In addition to allowing the Council to manage unforeseen financial pressures and plan for known or predicted liabilities, there is a benefit to holding reserves in terms of the interest earned on funds which are not utilised. This investment income forms part of the budget strategy.

## C. BANKING AND INVESTMENT POLICY 2023-24

### 1. BANKING

Thatcham Town Council has the following accounts with NatWest Bank:

- Current account
- Business Reserve account
- Clerk's account (for the return of deposits and limited day-to-day expenses, in accordance with Financial Regulations)

### 2. INVESTMENTS 2023/24

Investment of the Minimum Reserve.

Details of the current investment vehicles for the minimum reserve of £220,000 are shown in the table below:

Provider	Investment	Anticipated interest receipts in 2023/24	Term	Interest rate
Newbury Building Society	£91,784.77	£2,983.00	No fixed term 90 Day Access	Variable - 3.25% at 5.4.23
Nationwide Building Society	£55,150.48	£2,978.13	29.09.2-28.09.24	5.4% fixed
Close Brothers Finance	£100,000.37	£5,113.99	22.08.23-22.08.24	5.1% fixed
Lloyds Bank	£52,000.00	£1,352.00	28.11.22-28.11.23	2.60 % fixed
<b>TOTAL</b>	<b>£298,935.62</b>	<b>£12,427.12</b>		

Lloyds Bank: 1-year fixed term agreement will receive £1,352.00 at 2.60% on maturity 28.11.23. An investment decision will be required during November.

## 2.2 INVESTMENT OF RESIDUAL BALANCES

The Public Sector Deposit Fund is used throughout the year to manage cash flow requirements. Dividends received during 2022/23 are shown in the following table:

Month	Holding (end of the month)	Dividend Received
April 2022	£320,000	£196.85
May 2022	£320,000	£231.60
June 2022	£320,000	£251.79
July 2022	£320,000	£291.78
August 2022	£320,000	£439.22
September 2022	£320,000	£459.97
October 2022	£320,000	£551.15
November 2022	£320,000	£705.94
December 2022	£320,000	£826.41
January 2023	£320,000	£970.95
February 2023	£320,000	£944.55
March 2023	£220,000	£959.58
	<b>TOTAL</b>	<b>£6,829.79</b>

The yield on the PSDF at close of business on 31<sup>st</sup> March 2023 was 4.1223%.

## 2.3 INVESTMENT OF WORKING BALANCES

Working balances are transferred into the Business Reserve account. The bank makes an automatic sweep from the Business Reserve to meet the requirements of the current account. Interest received on the Business Reserve Account is shown in the table below:

Month	Interest received	
April 2022	£9.95	
May 2022	£38.18	
June 2022	£28.52	
July 2022	£20.66	
August 2022	£15.30	
September 2022	£24.17	
October 2022	£144.74	
November 2022	£256.78	
December 2022	£235.44	
January 2023	£200.60	
February 2023	£131.28	
March 2023	£140.45	
	<b>TOTAL</b>	<b>£1,246.07</b>

## 3. CREDIT, DEBIT AND SOLDO PREPAYMENT CARDS

The Council does not have any credit or debit cards, only a SOLDO prepayment card, which is used for low value purchases and eliminates the need to hold petty cash.

#### **4. TREASURY MANAGEMENT ARRANGEMENTS**

4.1 The current treasury management arrangements are as follows:

- (a)** The recommended minimum reserve (25% - 30% of precept) is placed on deposit for one year in investment accounts with four separate institutions.
- (b)** Residual balances are held in the Public Sector Deposit Fund and/or the NatWest Treasury account, according to cash flow requirements and interest rates.
- (c)** Working balances are held on Business Reserve.

4.2 Investing in the market is subject to the following constraints:

- (a)** It is difficult to place investments quickly and within a precise timescale because account opening processes for Town Councils are generally complex and time-consuming.
- (b)** The minimum requirement set by many investment institutions is now £100,000 or more.
- (c)** Provided the interest rate remains favourable, rolling investments over with existing providers ensures a seamless transfer of funds with no loss of interest while a new investment is arranged.

4.3 The Council's approach:

- (a)** The Council shall spread the recommended minimum reserve between four highly rated UK Banks and Building Societies. To retain liquidity these investments shall be placed with differing end dates i.e. there will always be some maturing sooner than others. The Council will endeavour to place single investments for a fixed period of longer than one year, subject to banks changing their minimum requirements.
- (b)** Residual balances shall be held in the Public Sector Deposit Fund according to cash flow requirements and interest rates. Requirements shall be assessed by the Finance Manager and RFO on a regular basis.
- (c)** Working balances shall be held on Business Reserve.
- (d)** The Council shall have regard to the environmental credentials of the institutions it invests with.

#### **5. Review of investments for the minimum reserve**

The minimum reserve for 2023/24 is set at £220,000. The current investments for the minimum reserve total £257,547.80, including anticipated interest.

## **SCHEDULE A**

### **Approved Banks**

Bank of Ireland UK  
Barclays  
Close Brothers  
Group PLC  
Clydesdale Bank PLC  
HSBC  
Lloyds Banking Group  
NatWest  
Royal Bank of Scotland  
Sainsbury's Bank  
Santander UK  
Tesco Bank  
The Co-operative Bank  
TSB  
Unity Trust Bank  
Ulster Bank  
Virgin Money

### **Approved Building Societies**

Coventry Building Society  
Market Harborough Building Society  
Nationwide Building Society  
Newbury Building Society  
Skipton Building Society  
Yorkshire Building Society

### **Other approved funds**

CCLA Public Sector Deposit Fund / Property Fund  
Other Government Schemes and Bonds of short-term liquidity

## APPENDIX 1

### Forecast:

Expected levels of external borrowing and investments at the beginning and end of 2023/24 are estimated to be:

	1 <sup>st</sup> April 2023	31 <sup>st</sup> March 2024
	£,000's	£,000's
Short term borrowing	Nil	Nil
Long term borrowing (PWLB)	(848)	(803)
Interest bearing fixed term investments	251	258
On call Bank Deposits	194	75
AAA Money Market Funds	220	220
Net Investments/(Borrowings)	(193)	(250)

- Long Term Borrowing are the three Priory Loans which will reduce by £45k during 2023/24.
- Four interest-bearing fixed term investments are in place to cover the £220k General Fund minimum reserve and with cumulative interest are forecast at £258k.
- On call bank deposits are at £194k at the beginning of the financial year 2023/24. With two BACS runs to be completed before the precept is received in May 2023, any transfer to the Money Market Fund will not be completed until precept funds are received.
- The AAA Money Market Funds may also be called upon as required, it is estimated that the balance will remain at a similar level this financial year.

## APPENDIX 2

### Total Funds at 1<sup>st</sup> April 2023

<u>All Cash &amp; Bank Accounts at 31st March 2023</u>	£	
NatWest Current Account	191,462	
SOLDO Prepayment Debit Card	1,247	
NatWest Clerk's Imprest A/c	1,650	
CCLA Public Sector Deposit Fd	220,000	
NatWest Cricket Club Dep A/c	3,417	
Close Brothers Treasury	53,002	
Lloyds Bank Fixed Deposit	52,000	
Nationwide Building Society	53,671	
Newbury Building Society	91,785	
<b>Total Cash &amp; Bank Balances</b>	<b>668,234</b>	
Add Debtors	59,553	
Deduct Creditors	- 191,547	
<b>Total Cash and Short-Term Investments</b>	<b>536,240</b>	
<u>General and Earmarked Reserves</u>		
General Fund - Minimum Reserve	262,297	
General Fund - Working Balance	86,904	
Rolling Capital Fund	13,997	
EMR Recreation Devel't Fund	5,874	
EMR Election Expenses Fund	12,933	
EMR Environmental Strategy	11,518	
EMR Surface Water Management Plan	30,000	
EMR Thatcham Library	14,000	
EMR Henwick Worthy	25,670	
EMR Outreach Youth	13,613	
EMR Library voluntary contribution	24,480	
EMR Community Projects Fund	8,358	
EMR CIL 2019/20	5,675	
EMR CIL 2020/21	12,732	
EMR CIL 2021/22	6,190	
<b>Total Funds</b>	<b>536,240</b>	