**TREASURY MANAGEMENT & INVESTMENT**

**STRATEGY 2018-19**

**1. EXECUTIVE SUMMARY**

1.1 In accordance with The Local Government Act 2003 local authorities are required to produce an Annual Investment Strategy each year. 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. Where these investments are invested outside the Council’s approved banks (currently Lloyds Bank) these will not exceed 50% of the surplus and will be with institutions approved by the Full Council. Any investment outside the Council’s approved banks will only be undertaken with the approval of the Full Council. These will be specified investments with a low risk profile and where the capital investment is protected (e.g. sterling deposits of no more than one year with bodies or institutions with high credit ratings). Executive decisions on borrowing, investment and financing are delegated to the Parish Clerk in consultation with the Chairman and Vice Chairman the Council, being reported to Full Council at the earliest opportunity.

**2. BACKGROUND INFORMATION**

2.1 The Local Government Act 2003 introduced a new prudential capital finance system from 1 April 2004. For Borrowing Approval Local Councils are required to seek consent from the Secretary of State at the Department for Communities and Local Government.

2.2 Section 12 of the Local Government Act 2003 gives a local authority power to invest for “any purpose relevant to its functions under any enactment, or for the purpose of the prudent management of its financial affairs”. The reference to the “prudent management of its financial affairs” is included to cover investments which are not linked to identifiable statutory functions but are simply made in the course of treasury management.

2.3 Under Section 15 of the Local Government Act 2003 local authorities are required to take note of guidance on investments issued by the Secretary of State. The general policy objective is that local authorities should invest prudently the surplus funds held on behalf of their communities and that priority should be given to security and liquidity, rather than yield.

2.4 Section 23 of the Local Government Act 2003 gives guidance to local authorities on Local Government Investments. A local authority, before the start of each financial year, shall draw up an Annual Investment Strategy, which will distinguish between specified investments (those offering high liquidity and high security) and non-specified investments, which involve greater risk.

2.5 The Annual Strategy and any variations are to be approved by Council and to be made available to the public.

**3. TREASURY MANAGEMENT**

3.1 Duston Parish Council has a reserves policy of six months revenue costs (in line with CIPFA recommendations[[1]](#footnote-1)). In addition, the Council has substantial reserves. This means that the Council regularly have appropriate surplus funds available and it is important that such funds are invested prudently with due regard to the Council’s fiduciary responsibility to the Council Tax payers and to the priority for security and liquidity of those investments.

3.2 Investment Strategy

All of the Parish Council’s investments will be Specified Investments which means that:

All investments will be made in sterling and any payments or repayments will also be made in sterling, with UK registered institutions only.

All investments will be short term investments not to exceed 12 months

All investments will be made with a body or an investment scheme which has been awarded a high credit rating by a credit rating agency

A credit rating agency will be taken as one of the following

Standard and Poor’s

Moody’s Investors Services Ltd

Fitch Ratings Ltd

A high credit rating will be defined as ‘A’ ‘High Credit Quality’, referring to the Long Term grade issued in relation to an institution. Credit ratings will be monitored regularly and if the rating falls consideration will be given at the next Council meeting of the appropriate action to be taken.

3.3 External Borrowing

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 (DCLG). 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

3.4 Current External Borrowing

The Council has significant external loans but does not currently anticipate any further external borrowing to be undertaken during 2017/18 or 2018/19. However, this situation will be kept under review given the devolution discussions currently underway with the Borough and County Councils.

1. Chartered Institute of Public Finance and Accountancy [↑](#footnote-ref-1)