

# Longhorsley Parish Council

## Investment / Treasury Management & Banking Strategy 2023/24

### 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 Parish 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 LPC 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. There will also be instances of “one-off” income receipts, such as through the sale of land etc.
- 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, LPC has 5 bank accounts:

- a) A Barclays Community Account (pays all invoices and receives some income re general fund) currently as at 31<sup>st</sup> August has a balance of £1,500.
- b) A Barclays Premium Account (where surpluses from the Community Account are transferred on a daily basis) currently as at 31<sup>st</sup> August has a balance of £6,692.48.
- c) A Barclays Moor Community Account (pays all invoices and receives income re the Moor) currently as at 31<sup>st</sup> August has a balance of £19,807.15.
- d) A Barclays Moor Premium Account ((used as a deposit/savings account) currently has a zero balance.
- e) A Barclays Active Saver Premium Account (used as a deposit/savings account for general fund reserves) currently as at 31<sup>st</sup> August has a balance of £24,017.61.

The total of deposits in the 5 accounts total £52,017.24.

2.10 At the end of each financial year, the RFO will prepare a report on investment activity for consideration.

2.11 The anticipated level of balances and reserves to be held will be between:

Minimum of 10% of Budgeted Expenditure i.e. £ 4,350

\*Maximum of twice the level of Precept i.e. £ 54,400

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

2.12 It is proposed that:

Receipts received from the sale of land etc. be placed in the Public Sector Deposit Fund with Charities, Churches and Local Authorities (CCLA) for the period 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024. 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.

3.2 **Public Works Loan Board** - the facility lends to town and parish councils (in England) and town and community councils (in Wales). Applicants must obtain a borrowing approval from the Department for Levelling Up, Housing & Communities (DLUHC) formerly the Ministry of Housing, Communities and Local Government (MHCLG), for which they should approach their County Association of Local Councils or, in the case of Welsh councils, the Welsh Government.

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 grants, Lottery funding, leases and contributions from other partners and stakeholders.

### **4.0 CURRENT EXTERNAL BORROWING**

4.1 LPC currently has no loans from the Public Works Loan Board (PWLB) or any other institution.

4.2 The Council does not anticipate any external borrowing to be undertaken during 2023/24.

### **5.0 DAY TO DAY BANKING**

5.1 Under current arrangements all invoices are paid at least weekly via electronic bank transfer. There may be the odd occasion where payment by cheque is necessary and cheque payments will still be an option for those who cannot or do not wish to be paid directly by transfer.

5.2 An Authorisation of Payments list will be presented to each council meeting, covering all payments made during the month, and endorsed by members.

### **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;

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

Fitch Affirms 2 CCLA Money Market Funds at 'AAAmmf' Fitch Ratings - London - 06 Feb 2023: Fitch Ratings has affirmed two money market funds (MMF) managed by CCLA Investment Management Limited (CCLA) at 'AAAmmf': CCLA - COIF Charities Deposit Fund (COIF) CCLA Public Sector Investment Fund - The Public Sector Deposit Fund (PSDF) KEY RATING DRIVERS The affirmation of the MMF Ratings is driven by the funds' high credit quality and diversification, high levels of daily and weekly liquid assets and low exposure to interest-rate and spread risks. The ratings also reflect the capabilities and resources of CCLA as investment manager. CREDIT RISK The funds' Portfolio Credit Factor (PCF), which is a risk-weighted measure that considers the credit quality and maturity profile of the portfolio securities, met Fitch's 'AAAmmf' rating criterion of 1.5 or less throughout the review period. LIQUIDITY RISK The funds had at least 10% of total assets in securities offering daily liquidity and at least 30% of total assets in securities providing weekly liquidity, consistent with the 'AAAmmf' rating range, throughout the review period. MARKET RISK The funds' weighted average maturity and weighted average life were below 60 days and 120 days (the 'AAAmmf' rating range), respectively, throughout the review period. FUND PROFILE Fitch views the legal and regulatory frameworks of the funds satisfactory. COIF is a common deposit fund, governed by the Charities Act 2011 (as amended) and authorised by the Charity Commission. It is managed as an alternative investment fund and falls under the alternative investment fund managers directive (AIFMD) legislation as defined in the scheme particulars. The fund is authorised and supervised in the UK by the Financial Conduct Authority as a short-term low volatility net asset value MMF as defined in EU Money Market Fund Regulation 2017/ 1131. PSDF is a sub-fund of the umbrella fund, CCLA Public Sector Investment Fund, which is an open-ended investment company that falls under the UCITS directive. The fund is authorised and supervised in the UK by the Financial Conduct Authority as a low volatility net asset value MMF as defined in Regulation (EU) Money Market Fund 2017/1131. The CCLA COIF Charities Deposit Fund investment objective is to provide a high level of capital security and a competitive yield. The CCLA Public Sector Investment Fund - The Public Sector Deposit Fund (PSDF) investment objective is to maximise current income consistent with the preservation of principal and liquidity by investing in a diversified portfolio of high quality sterling-denominated deposits and instruments. The primary objective is to maintain the net asset value of the fund at par (net of earnings). INVESTMENT MANAGER CCLA is a UK-based fund management group offering a range of fund products. CCLA is jointly owned by CCLA Executive Directors, The CBF Church of England Investment Fund, The COIF Charities Investment Fund and The Local Authorities' Mutual Investment Trust. An independent operational risk, internal audit and compliance team maintains oversight of the fund's operations. At as end-March 2022, CCLA managed approximately GBP13.9 billion of assets. Fitch deems CCLA suitably qualified, competent and capable of managing the rated funds. RATING SENSITIVITIES Factors that could,

individually or collectively, lead to positive rating action/upgrade: The ratings are at the highest level on Fitch's scale and therefore cannot be upgraded. Factors that could, individually or collectively, lead to negative rating action/downgrade: Fitch's stress testing shows that the ratings are robust at their current levels. However, material negative credit developments (downgrades) in underlying portfolio holdings and /or material unexpected and short-term redemptions could negatively affect the funds' rating profiles, potentially leading to downgrades

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 with an 11:30am cut-off time for instructions;