



Peacehaven Town Council

Treasury Management Policy

Purpose;

Peacehaven Town Council acknowledges the importance of prudently investing funds held on behalf of the residents.

The purpose of this Treasury Management Policy is to set out how Peacehaven Town Council manages its cash flows, banking, borrowing, and investments in a prudent and secure manner. The Council's priority is the security of funds, followed by liquidity, and then return.

Scope

This policy applies to all treasury management activities of the Council, including:

- Banking arrangements
- Cash flow management
- Responsibilities of bank deposits & investments
- Borrowing
- Risk management

Objectives

The Council's treasury management objectives are:

- To ensure sufficient cash is available to meet day-to-day expenditure by
 - 1) Timing transfers from savings to coincide with expenditure needs
 - 2) Retain adequate working balances in the Council's current account
 - 3) Reviewing payment commitments as part of financial monitoring
- To protect the Council's capital from loss by
 - 1) Avoiding high risk investments / savings
 - 2) Limiting the amount invested with a single institution to no more than £300,000
 - 3) Investing with only UK-regulated banks, building societies, or other institutions (approved by the Financial Conduct Authority).
- To minimise risk by
 - 1) Following this policy & Financial Regulations
 - 2) Keeping investments short term unless specified by council.
- To comply with relevant legislation and best practice

- 1) Operating in accordance with legislation, statutory guidance and financial regulations
- 2) Reporting activity to the Policy & Finance Committee / Full Council

Cash Flow Management

- The RFO will monitor and ensure sufficient funds are available
- Surplus funds may be invested in line with this policy
- Short-term cash shortages will be managed through careful timing of payments or use of reserves

Responsibilities

The RFO / Town Clerk has the authority to invest funds up to but not exceeding £200,000 per account. Where an account is fixed term with no early access option, the fixed term period the Town Clerk/RFO are authorised to agree shall be no more than one year.

The RFO / Town Clerk will look for lowest risk and best value.

The RFO / Town Clerk may seek short term investments to maximise on higher interest rates

Anything beyond 1 year or exceeding the agreed value will need to be agreed at full council.

For the Town Clerk / RFO to exercise their delegated authority the account must be with a bank that the council is already in a business relationship with.

Should a competitive fixed rate be available at a new bank the council does not bank with then approval is needed from Policy & Finance Committee or Full Council.

The RFO shall report the financial position of Council to Policy & Finance at each Committee meeting.

Borrowing

- All borrowing will be approved only by the Council
- The Council will seek to minimise borrowing costs
- Long-term borrowing is normally from the Public Works Loan Board (PWLb)

Risk Management

The Council recognises that treasury management activities expose it to a range of financial risks. The Council's overriding principle is the preservation of capital and the safeguarding of public funds.

The principal treasury management risks are:

Liquidity Risk

The risk that the Council may not have sufficient cash available to meet its financial obligations when they fall due.

Controls:

- The RFO will maintain regular cash flow forecasts.
- Adequate balances will be retained in the Council's current account to meet operational requirements. Recommended at minimum 50% of general reserves plus any planned expenditure within the following 12 months from earmarked reserves.
- Investment maturity dates will be planned to align with anticipated expenditure.

- The Council will maintain adequate general reserves in accordance with auditor recommendations.

Counterparty Risk

The risk that a bank or financial institution holding Council funds fails, resulting in loss of capital.

Controls:

- Investments will be placed only with UK-regulated banks, building societies, or other institutions (approved by the Financial Conduct Authority) approved by the Council.
- The Council will diversify investments and try to avoid excessive exposure to any single institution.
- No more than £200,000 will be invested in any single fixed-term deposit account without Full Council approval.
- Investments will be signed off by two signatories in line with this policy.
- The financial standing of institutions will be considered before investments are made.

Interest Rate Risk

The risk that adverse changes in interest rates reduce investment returns or increase borrowing costs.

Controls:

- The Council will monitor interest rates and seek competitive rates whilst maintaining security as the primary objective.
- Investments will generally be short term unless otherwise approved by Full Council.
- Borrowing decisions will consider prevailing and projected interest rates.

Operational Risk

The risk of financial loss arising from errors, fraud, system failures, or inadequate procedures.

Controls:

- Treasury management activities will comply with the Council's Financial Regulations.
- Appropriate separation of duties and authorisation controls will be maintained.
- Investment and banking records will be kept up to date and subject to regular review.
- Online banking access and passwords will be managed securely.

Regulatory and Compliance Risk

The risk of failing to comply with legislation, statutory guidance, or Council policies.

Controls:

- The Council will operate in accordance with:
 - The Local Government Act 2003.
 - Statutory Guidance on Local Government Investments.
 - Smaller Authorities Proper Practices Panel (SAPPP) (previously JPAG).
 - The Council's Financial Regulations and Standing Orders.
- Treasury management activity will be reported to the Policy & Finance Committee and Full Council as required.