

Policy and Resources Committee

Date:	26 March 2013
Title:	Treasury Management Policy
Purpose of the Report:	To recommend a strategy for maximising interest on revenue reserve funds
Contact Officer:	Helen Stewart, Town Clerk

Background

On 1st April 2012 the Town Council had some £300,000 of Revenue Reserve Funds held between its Current, Business Reserve and Capital Reserve Accounts. In summary the Reserves break down was as follows:

General Reserve	£ 165,000
Dev Contributions (Revenue)	£ 11,000
Other Earmarked Funds	£ <u>124,000</u>

In total these balances currently earn interest of the order of £1,300 per annum, a poor rate of return on such significant sums, and all without consideration of unspent Precept balances which are received (effectively) six-monthly in advance.

Strategy

The anticipated call on these semi-permanent balances can be predicted well in advance, and as such a far better return could be achieved by placing funds on a constructive mix of Fixed Term Corporate Bonds (FTCBs). The Council's current bankers (Co-Op) offer interest on FTCBs at the following rates:

	£10K - £1,000K
1 month deposit	0.34375%
3 months deposit	0.59375%
6 months deposit	0.81250%
12 months deposit	1.43750%

The rates quoted vary from week to week, but only marginally.

Actual Investment Suggestions

It is recommended that the Reserve Funds and Precept (as received) be invested as follows:

	Amount	Interest (est)
a: General Reserve (recommended minimum balance only)		
Invest for fixed term of 12 months	£115,000	£ 1,655.
b: Capital Funds		
Invest for 6 months at a time (assumed reinvested intact for further six months- amounts spent minimal)	£11,000	£ 90
c: Other Funds		
Invest for 6 months at a time (assumed reinvested intact for further six months subject to amounts spent)	£125,000	£ 1,015
d: Precept		
When received invest 50% (of each instalment) for 3 months only	£125,000	£ 370

Based on this strategy it is estimated that Interest Income on specifically invested funds would amount to approximately £3,130 p.a. as against the current £1,300 p.a.

Risk Assessment

The above strategy has been discussed with the Town Council's financial advisor Derek Kemp, Accounting Solutions and is considered to be a sound approach to maximizing interest on funds held in the Council's bank accounts.

Resource Appraisal

There are no additional resource implications associated with this report.

Legal Powers: Once approved no further authorisation of actual investments would be required. The transactions do not represent expenditure/payment by council and thus are not required to comply with LGA 1972 s150(5) – signature by two councillors.

Recommendation:

The Committee is asked to:

- i) Recommend the above Investment Strategy to Full Council for approval (subject to any detailed amendments that may be felt desirable).***