

DORCHESTER TOWN COUNCIL

Treasury Management Policy

1. Introduction

Dorchester Town Council will from time to time have surplus funds available for investment, therefore 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. The Council therefore has a risk averse approach to investments.

Currently the Council's funds are automatically dealt with by Lloyds, and a competitive savings rate is applied to any excess funds which the Council holds. The payment account is cleared down daily so the maximum interest rate is gained on any excess funds. This also avoids the Council using the overdraft facility.

The Council receives two large precept payments annually; therefore there is not much scope for any longer investments more than approximately three months. To enable short-term investments, a detailed cash flow would need to be produced as well as a regular review of cash balances. It is noted that the financial services compensation scheme does not extend to local authorities and this will be borne in mind in investment decisions.

The Town Council is required under the Local Government Act 2003 to determine an annual investment strategy. The strategy will be a public document as defined by the Freedom of Information Act 2000.

The Council will also from time to time need to borrow money and, whilst it may borrow by temporary loan or overdraft to meet expenses pending the receipt of revenues receivable, long-term loans may be required to meet capital expenditure.

2. Investment strategy

All of the Town Council's investments will be specified investments as these have less risk attached to them. Specified investments are:

- Made in sterling and any payments or repayments will also be made in sterling.
- Short term; investments will not exceed 12 months.
- Made with a recognised and reputable financial institution.

3. Risk management

Liquidity risk management

The Council will ensure it has adequate though not excessive cash resources, overdraft or standby facilities to enable it all times to have the level of funds available which are necessary for the achievement of its service objectives.

Legal and regulatory risk management

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. The Council recognises that future legislative or regulatory changes may impact on its treasury activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely.

Fraud, error and corruption, and contingency management

The Council will ensure that it has identified those circumstances that may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements to these ends.

4. 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. 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.

5. Current external borrowing

The Town Council's external borrowing position as 31st March 2009 is as follows:

	Outstanding as at 1st April 2006	Redemption Date	Fixed Rate
PWLB	£270,000	2027	7.125%
PWLB	£266,000	2022	4.625%
PWLB	£200,000	2016	5.05%