

THATCHAM TOWN **COUNCIL TREASURY** **MANAGEMENT** **PLAN 2026/27**

Adopted BY Thatcham Town Council on xxxxxxxxxxxx

TREASURY MANAGEMENT PLAN 2026/27

1. INTRODUCTION

Thatcham Town Council acknowledges the importance of prudently investing the monies under its control, which are held on behalf of the community.

This plan has been prepared in accordance with the Statutory Guidance on Local Government Investments 3rd Edition (the Guidance') issued under section 15(1) of the Local Government Act 2003.

The Guidance applies to town and parish councils providing their total investments exceed or are expected to exceed £100,000 at any time during the financial year. Where a town or parish council expects its total investments to be between £10,000 and £100,000, it is encouraged to adopt the principles in this guidance.

In accordance with Section 15(1)(a) of the Local Government Act 2003, the Council will have regard to:

- (a) such guidance as the Secretary of State may issue, and
- (b) such other guidance as the Secretary of State may by regulations specify.

This plan establishes formal objectives, policies and practices and reporting arrangements for the effective management and control of the Council's treasury management activities and the associated risks and should be read in conjunction with the Council's Financial Regulations.

For the purpose of this plan, the Responsible Financial Officer (RFO), is the Town Clerk.

2. OBJECTIVES OF TREASURY MANAGEMENT

The Council's treasury management activities will be guided by the following priorities, in order of importance:

- 1. Security** – protecting the capital sum from loss.
- 2. Liquidity** – ensuring that cash is available when needed.
- 3. Yield** – achieving a reasonable return, consistent with the first two objectives.
- 4. Ethics and Sustainability** – ensuring that investments align with the Council's values and support environmental and social responsibility.

3. ROLES AND RESPONSIBILITIES

Full Council: Adoption of the Treasury Management Plan and approval of any borrowing proposals.

Finance & General Purposes Committee: Regular review of treasury activities.

Investment Working Party: Authority to approve investments, in line with this Plan, to enable swift response to the dynamic investment market.

Responsible Financial Officer (RFO) / Finance Manager: Day-to-day management of treasury operations, ensuring compliance with this Plan and Financial Regulations.

Internal Auditor: Periodic review of treasury management processes and controls.

4. TREASURY REPORTING

- Treasury balances will be reported quarterly to the Finance & General Purposes Committee.
- Any material deviations from the Plan will be reported to Committee promptly.

5. REVIEW OF THE PLAN

The Treasury Management Plan will be prepared annually by the RFO and presented to the Finance and General Purposes Committee for review.

Following review by the Finance & General Purposes Committee, the Treasury Management Plan will be presented to Full Council for adoption.

The Council reserves the right to make variations to the Treasury Management Plan at any time, if required due to changes in legislation, financial conditions, or Council strategy, or on receipt of a report from the Finance Manager or RFO. Any variations will be available to the public.

6. FREEDOM OF INFORMATION

In accordance with the Freedom of Information Act 2000, the Council's Treasury Management Plan will be published on the Council's website and will be available as a hard copy from the Town Council office.

A. INVESTMENTS

8. INVESTMENT OBJECTIVES

The Council defines its treasury management activities as “*the management of the Council’s cash flows, its banking and money market transactions, the effective control of the risks associated with those activities and the pursuit of best value performance consistent with those risks*”.

The Council’s prudential investment objectives are:

- The **security** of its reserves, and
- The adequate **liquidity** of its investments.

The generation of yield is distinct from these prudential objectives. Once proper levels of security and liquidity have been determined, the Council will aim to achieve an optimum return on its investments, commensurate with proper levels of security and liquidity.

In addition to these prudential objectives, the Council is committed to Ethics and Sustainability – ensuring that investments align with the Council’s values and support environmental and social responsibility.

The Council will monitor the risk of loss on investments by reviewing credit ratings on a regular basis. The Council will only invest in institutions of high credit quality – based on information from credit rating agencies.

The Council will not borrow more than, or in advance of, its needs purely in order to profit from the investment of the extra sums borrowed.

9. CATEGORIES OF INVESTMENTS

Specified investments are those offering high security and high liquidity, made in sterling, with a maturity of no more than 12 months and not defined as capital expenditure.

Investments placed with a body which has a high credit rating or made with the UK Government, a UK Local Authority or a parish or community council are specified investments.

Non-specified investments are any financial investments that are not a loan and do not meet the criteria to be treated as a specified investment.

10. INVESTMENT STRATEGY

Approved Investment Instruments:

- Call accounts
- Notice accounts
- Fixed-term deposits (up to 12 months)
- Local authority pooled investment schemes (e.g. CCLA Public Sector Deposit Fund)

Investment Limits:

- Maximum £120,000 with any single institution
- Maximum investment term: 12 months

The Council will only invest in institutions of high credit rating (low credit risk). Reference will be made in the assessment of credit worthiness to the general economic and political environment in which institutions operate. All significant sources of information will be scrutinised, including information from the main credit rating agencies (Standard and Poor's, Moody's Investors Services Ltd, and Fitch Ratings Ltd).

The Council will have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) 2017 Edition "Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes" in managing any investments.

The Council will not invest in non-specified investments.

The Council will invest the approved minimum reserve in short-term fixed interest investments.

The Council will maintain interest bearing accounts for its surplus working balances.

The Council will invest its surplus residual balances in a pooled qualifying money market fund. This must be with an approved bank or institution authorised by the UK FCA (Financial Conduct Authority) and regulated by the UK PRA (Prudential Regulation Authority).

Investments will be spread over different providers where appropriate to minimise risk.

Ideally, sums will not be invested in fixed-term deposits for longer than 12 months. However, it should be noted that some banks have recently increased their minimum investment period to 18 months or 2 years, similarly increasing their minimum investment to £100,000. This will be considered by the RFO, Finance Manager and Investment Working Party at the time of each maturity to determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.

For the prudent management of its treasury balances the Council will use:

- Deposits with banks, building societies or other public authorities
- Other approved public sector investment funds

Those investments which have greater potential risk (e.g. investment in the money market, stocks and shares) are inherently unpredictable and uncertain, and as such the Council will not use this type of investment.

The maximum amount to be invested in a single approved organisation is £120,000.

The Council will consider the environmental, social and governance (ESG) standards of all organisations with which it invests money.

11. APPROVED ORGANISATIONS

The day-to-day banking is with NatWest Bank. The investments will be split between banks and institutions approved by the Council from time to time. Approved banks and funds are set out in Schedule A which may be amended from time to time on a recommendation from the Finance Manager or RFO.

Investment movements will be carried out between approved organisations by the Finance Manager or RFO, following approval by the Investment Working Party, and in accordance with the investment objectives.

Transfers between the Council's current and deposit accounts shall be permitted, to maximise interest earnings on surplus funds that cannot be placed in time deposits (usually for a minimum of one month).

12. ETHICAL INVESTMENT AND SUSTAINABILITY PRINCIPLES

Thatcham Town Council is committed to ensuring that its investments reflect its values and responsibilities towards society and the environment. The Council will:

- Avoid investments in institutions or funds with material exposure to arms manufacturing, fossil fuels, tobacco, gambling, or other activities that conflict with Council policies.
- Give preference to financial institutions and funds that demonstrate environmental, social, and governance (ESG) standards.
- Support investment vehicles that promote sustainable development, community benefit, or climate-friendly practices (e.g. green funds or social impact investments), where consistent with the Council's security and liquidity priorities.

Ethical considerations will be balanced with statutory duties and fiduciary responsibilities.

13. AUTHORISATIONS

All transactions shall be carried out by the Finance Manager or RFO, under the direction of, and with the pre-authorisation of, the Investment Working Party.

Time deposits shall be negotiated and placed on a day-to-day basis by the Finance Manager or RFO.

Transfers between the Council's bank and investment accounts shall be carried out by the Finance Manager or RFO.

14. INVESTMENT REPORTS

The Finance Manager will provide reports on investment activity to the Investment Working Party as needed and report investment balances to the Finance and General Purposes Committee quarterly in January, April, July and October.

Any material deviations from the Plan will be reported to the Finance and General Purposes Committee.

15. CASH FLOW MANAGEMENT

The Finance Manager will maintain a rolling cash flow forecast to ensure sufficient liquidity to meet operational needs while maximizing investment opportunities for surplus funds.

16. RISK MANAGEMENT

Risks will be assessed through the Council's Risk Management Strategy.

B. GENERAL RESERVES

1. INTRODUCTION

Thatcham Town Council (the Council) is committed to sound financial management and recognises the importance of maintaining adequate reserves to support its operations and strategic objectives. This policy sets out the framework for establishing, monitoring, and reviewing reserves to ensure long-term financial resilience.

The Council is required to maintain adequate financial reserves to meet the needs of the organisation. The General Reserves position will be reviewed and revised as part of the annual budget setting process and will be monitored by the Finance and General Purposes Committee quarterly in January, April, July and October.

Reserves are held to:

- Provide short-term working capital and safeguard against cash flow fluctuations.
- Protect against unforeseen or emergency expenditure.
- Fund specific capital projects or future liabilities.
- Support long-term service delivery and Council priorities.

The General Reserve is where all the revenue income and expenditure of the Council is accounted for. It does not include specific funds which have been earmarked for long-term projects.

Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to have regard to the level of reserves needed to meet future expenditure when calculating the budget requirement. The amount that councils need, or choose to hold in their reserves, varies according to local circumstances. Elected members are responsible for deciding what reserves their council holds when setting the budget; informed by their longer-term spending plans. There is no set formula for determining the level of reserves that each council should have, and no consensus on what is appropriate, too low, or too high. Consequently, there is no specified minimum or maximum level of reserves that the Council should hold. It is the responsibility of the RFO to advise the Council about the level of reserves and to ensure there are key protocols for their establishment and use.

2. TYPES OF RESERVES

The Council has three types of reserves:

(a) General Reserves – Minimum Reserve

In line with sector guidance and the Council's risk profile, Thatcham Town Council will maintain its General Reserves – Minimum Reserve at a level equivalent to six months of net revenue expenditure (total expenditure less precept) or £200,000, whichever is the greater.

This is reviewed annually during the budget-setting process to ensure adequacy.

For the year 2026/27, the General Reserve – Minimum Reserve is £200,000, being the greater of the formula stated above.

£1,555,016 (total budgeted expenditure) less £1,252,552 (precept) = £302,464 six months calculation = £151,232

(b) General Reserves – Working Balance

General Reserves are not earmarked for any specific purpose and are maintained to provide financial resilience and contingency funding. These may be used to meet unexpected shortfalls in income or unplanned costs, as well as operating as a working balance to help manage the impact of uneven cash flows.

They can also be used to smooth the impact of significant pressures, offset the budget requirement if necessary, or can be held in case of unexpected events or emergencies. In general, a robust level of reserve should be maintained and should take account of operational and financial issues facing the Council.

(c) Earmarked Reserves

Earmarked Reserves are set aside for specific, known, or anticipated purposes and reflect both Council commitments and risk-based financial planning.

3. ADEQUACY OF RESERVES

The assessment of the adequacy of the Council's balances and reserves is based on the CIPFA guidance note on Local Authority Reserves and Balances, which, whilst there is not a statutory requirement, is considered to set out current best practice with regard to balances and reserves. The guidance states that no case has yet been made to set a statutory minimum level of reserves, and that each local authority should take advice from its RFO and base its judgement on local circumstances.

A well-run authority with a prudent approach to setting its budget will consider its level of General Reserves each year. These General Reserves will need to be supported by earmarked reserves for specific needs, contingencies and commitments. In assessing the level of the Council's general reserves, account needs to be taken of the risks facing the Council in terms of any significant unforeseen expenditure requirements.

The Council will maintain a minimum cash liquidity of £200,000.

4. FINANCIAL RESPONSIBILITY

The Council is responsible for the overall management and control of the Town Council's finances, with day-to-day management duties delegated to the Finance and General Purposes Committee (except as provided in Local Government Act 1972 s101).

The role of the Council is to review the level of its balances and reserves and consider the level of Reserves to be applied to the precept for each year.

- Earmarked Reserves will be established and drawn down only with the approval of the Finance and General Purposes Committee, or the relevant Committee identified at the time of designation of the Earmarked Reserve, or through the agreed budget.
- Any use of General Reserves – Working Balance must be approved by the Finance and General Purposes Committee, except in the case of an emergency, where delegated powers may apply in accordance with Financial Regulations, and must not be used for any level of recurring spending, unless that spending will be included in the Revenue Budget for the following financial year.

- Any use of General Reserves – Minimum Reserve must be approved by Full Council, preferably following review and recommendation by the Finance and General Purposes Committee.
- Where reserves are used, the Council will identify a plan for replenishment within a reasonable timeframe, typically within a medium-term financial plan, as necessary.

5. ROLE OF RESPONSIBLE FINANCIAL OFFICER

It is the responsibility of the RFO to advise the Council about the level of General Reserve that it should hold and ensure that it has clear protocols for its establishment and use.

There are four significant safeguards in place against the Council over committing itself financially:

- The balanced budget requirement
- RFO's powers provided by the Local Government Finance Act 1988 s114
- The External Auditor's responsibility to review and report on financial standing
- The year-end report from the Council's Internal Auditor

Thatcham Town Council, on the advice of its RFO, is required to make its own judgments on the level of reserves, taking into account all relevant local circumstances.

The RFO has a fiduciary duty to local taxpayers and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.

6. RISK ASSESSMENT

Risks can be identified as follows:

- risks from potential one-off events
- risks which will have general financial consequences.

In all types of undertaking there is the potential for events and consequences that may either be opportunities for benefits or threats to success. Risk management identifies what can go wrong and how to take proportionate steps to avoid this or successfully manage the consequences. Failure to manage risks effectively can be expensive in terms of litigation and reputation, and the ability to achieve desired targets, and, eventually, on the local community's Council Tax bills.

In order to assess the adequacy of unallocated General Reserves, it is necessary to place an estimated financial value on the key strategic, operational and financial risks facing the council and set aside a reasonable provision.

The value of the keys risks to Thatcham Town Council has been estimated by:

- considering the probability of each risk
- considering the range, nature, complexity, and scale of the risk
- evaluating the financial consequences of each risk by taking into consideration budgeted figures for income and expenditure
- setting aside amounts where applicable to cover contingencies
- having regard to the provisions made by Councils of a similar size and operation.

Risk	Effects	Action	Value of Risk
Loss of Income	Substantial disruption of income streams	Ensure adequate Reserves held, calculated as six months' value of the total income less precept 2026/27 total budgeted income: £1,528,641 Precept: £1,252,552	£138,045
	Income from fees/charges affected by economic conditions locally and nationally		
Loss of financial assets, i.e. sudden large items of expenditure in excess of budget	Inability to provide service/s	Prudent budget provision	£50,000
Sudden loss of staff	Additional advertising costs to attract staff, cost of agency staff	Business Continuity Plan	£100,000
Town Council office or other Council property unserviceable	Premises not operational	Disaster Recovery Plan	£60,000
	Insurance claims	Claims management	£30,000
Legal costs	Unexpected costs relating to service provision		£30,000

Note: in addition to the General Fund – Minimum Balance, there is a General Fund - Working Balance which represents funds that are not earmarked for a specific purpose.

7. INSURANCE COVER

The greatest risk facing the Council is not being able to deliver the activity or services expected of it. The Council manages many of the underlying risks when it reviews the robustness of insurance providers, insurance, and its systems.

The Council's insurance cover is tailored to suit the needs of the Council. Employer's Liability, Public Liability and Fidelity Guarantee are statutory requirements under The Compulsory Insurance Act (1969) and S114 of the Local Government Act (1972). Other voluntary areas of cover include all risks (protection of physical assets), money, hirer's liability, libel and slander, personal accident and legal expenses.

The Council's insurance policy provides the following cover:

Employer's Liability - £10,000,000

Public Liability - £15,000,000

Hirer's Liability - £2,000,000

Libel and Slander - £250,000

Fidelity Guarantee - £1,000,000

Personal Accident - £20,000

Legal Expenses - £200,000

Business Interruption - £120,000 loss of gross revenue + £50,000 additional expenditure

Money [loss of] - £250,000 non-negotiable money + £15,500 circumstantial loss

Plus, buildings, contents & equipment in line with individual valuations.

C. BANKING AND INVESTMENT

1. BANKING

Thatcham Town Council has the following accounts with NatWest Bank:

- Current account
- Business Reserve account
- Clerk's account (for the return of deposits and limited day-to-day expenses, in accordance with Financial Regulations)

2. INVESTMENTS 2026/27

Investment of the Minimum Reserve.

Details of the current investment vehicles for the minimum reserve of £200,000 are shown in the table below:

Provider	Investment	Anticipated interest receipts in 2026/27	Term	Interest rate
Newbury Building Society	£102,685.80	£3,491	No fixed term 90 Day Access	Variable - 3.4% at 07.07.26
Nationwide Building Society	£61,098.40	£916.47	No fixed term	1.5% variable
Close Brothers Finance	£100,000.37	£4223.01	23.08.25-24.08.26	4.2% fixed
TOTAL	£263,784.57	£8,630.48		

2.2 INVESTMENT OF RESIDUAL BALANCES

The Public Sector Deposit Fund is used throughout the year to manage cash flow requirements. Dividends received during 2025/26 are shown in the following table:

Month	Holding (end of the month)	Dividend Received
April 2025	£550,000	£2 101.98
May 2025	£550,000	£2 017.23
June 2025	£550,000	£2 023.35
July 2025	£550,000	£1 868.53
August 2025	£550,000	£1 974.76
September 2025	£550,000	£1 916.22
October 2025	£550,000	£1 819.50
November 2025	£550,000	£1 871.60
December 2025	£550,000	£1 799.59
January 2026	£550,000	£1 824.38
February 2026	£550,000	£1 774.53
March 2026	£500,000	£1 588.00
	TOTAL	£22 579.67

The yield on the PSDF at close of business on 31st March 2026 was 3.76%.

2.3 INVESTMENT OF WORKING BALANCES

Working balances are transferred into the Business Reserve account. The bank makes an automatic sweep from the Business Reserve to meet the requirements of the current account. Interest received on the Business Reserve Account is shown in the table below:

Month	Interest received
April 2025	£90.97
May 2025	£536.46
June 2025	£488.37
July 2025	£347.11
August 2025	£213.74
September 2025	£90.60
October 2025	£516.44
November 2025	£391.33
December 2025	£295.27
January 2026	£194.45
February 2026	£136.36
March 2026	£77.87
TOTAL	£3 378.97

3. CREDIT AND DEBIT CARDS

The Council does not have any credit cards but does have debit cards attached to the Clerk's Imprest Account, which are used for low value purchases and eliminates the need to hold petty cash.

4. TREASURY MANAGEMENT ARRANGEMENTS

4.1 The current treasury management arrangements are as follows:

- (a) The recommended minimum reserve £200,000 is placed on deposit for one year in investment accounts with three separate institutions.
- (b) Residual balances are held in the Public Sector Deposit Fund and/or the NatWest Treasury account, according to cash flow requirements and interest rates.
- (c) Working balances are held on Business Reserve.

4.2 Investing in the market is subject to the following constraints:

- (a) It is difficult to place investments quickly and within a precise timescale because account opening processes for Town Councils are generally complex and time-consuming.
- (b) The minimum requirement set by many investment institutions is now £100,000 or more.
- (c) Provided the interest rate remains favourable, rolling investments over with existing providers ensures a seamless transfer of funds with no loss of interest while a new investment is arranged.

4.3 The Council's approach:

- (a) The Council shall spread the recommended minimum reserve between three highly rated UK Banks and Building Societies. To retain liquidity these investments shall be placed with differing end dates i.e. there will always be some maturing sooner than others. The Council will endeavour to place single investments for a fixed period of longer than one year, subject to banks changing their minimum requirements.
- (b) Residual balances shall be held in the Public Sector Deposit Fund according to cash flow requirements and interest rates. Requirements shall be assessed by the Finance Manager and RFO on a regular basis.
- (c) Working balances shall be held on Business Reserve.
- (d) The Council shall have regard to the environmental credentials of the institutions with which it invests.

5. Review of investments for the minimum reserve

The minimum reserve for 2026/27 is set at £200,000. The current investments for the minimum reserve total £272,415.05, including anticipated interest.

D. BORROWING POLICY

The Council will only consider borrowing:

- To fund capital projects where alternative funding sources (e.g. reserves or grants) are not available
- Where borrowing is affordable, sustainable, and approved by Full Council

All borrowing must comply with relevant legal requirements and, where necessary, be supported by a borrowing approval from the Department for Levelling Up, Housing and Communities (DLUHC).

Preferred lender: Public Works Loan Board (PWLB) or another reputable, regulated institution.

SCHEDULE A

To be reviewed annually with consideration given to the Council's Environmental Action Plan to ensure cohesion between Council Policy and banking ethics.

Approved Banks

Bank of Ireland UK
Close Brothers Group PLC
One Savings Bank PLC (Trading as Kent Reliance Bank)
The Charity Bank Ltd
The Co-operative Bank
Triodos Current Accounts
Unity Trust Bank
Virgin Money

Approved Building Societies

Cumberland Building Society
Nationwide Building Society
Newbury Building Society
Saffron Building Society

Other approved funds

CCLA Public Sector Deposit Fund / Property Fund
Other Government Schemes and Bonds of short-term liquidity

APPENDIX 1

Forecast:

Expected levels of external borrowing and investments at the beginning and end of 2026/27 are estimated to be:

	1 st April 2026	31 st March 2027
	£,000's	£,000's
Short term borrowing	Nil	Nil
Long term borrowing (PWLB)	(710)	(662)
Interest bearing fixed term investments	163	168
On call Bank Deposits	100	100
Money Market Funds	500	500
Net Investments/(Borrowings)	53	106

- Long Term Borrowing are the three Priory Loans which will reduce by £48k during 2026/27.
- Three interest-bearing fixed term investments are in place to cover the £200,000 General Fund - Minimum Reserve, and with cumulative interest are forecast at £268,000.
- On call bank deposits are at £100,000 at the beginning of the financial year 2026/27.
- The AAA Money Market Funds may also be called upon as required, it is estimated that the balance will increase during the first half year with withdrawals then reduce the balance that is likely to settle slightly higher at the end of the financial year.

APPENDIX 2

Total Funds at 31st March 2026

<u>All Cash & Bank Accounts at 31st March 2026</u>	£	
NatWest Current Account	83,532	
NatWest Clerk's Imprest A/c	2,282	
CCLA Public Sector Deposit Fund	500,000	
NatWest Cricket Club Dep A/c	3,548	
Close Brothers Treasury	100,000	
Lloyds Bank Fixed Deposit	0	
Nationwide Building Society	61,098	
Newbury Building Society	102,686	
Total Cash & Bank Balances	853,146	
Add Debtors	32,115	
Deduct Creditors	- 33,977	
Total Cash and Short-Term Investments	851,284	
<u>General and Earmarked Reserves</u>		
General Fund - Minimum Reserve	200,000	
General Fund - Working Balance	70,224	
Rolling Capital Fund	33,152	
EMR Uncompleted Projects Fund	4,028	
EMR Neighbourhood Development Plan	20,195	
EMR Major Projects Fund	155,546	
EMR Asset Renewal Fund	23,000	
EMR Election Expenses Fund	15,944	
EMR Jubilee Memorial Garden	823	
EMR Events	8,856	
EMR Grant Income Projects	3,435	
EMR Environmental Strategy	10,061	
EMR Surface Water Management Plan	30,000	
EMR Thatcham Library SLA	2,267	
EMR Henwick Worthy	10,670	
EMR Baby Memorial Garden	446	
EMR Youth Outreach	23,613	
EMR Community Projects Fund	2,392	
EMR CIL 2020/21	0	
EMR CIL 2021/22	0	
EMR CIL 2022/23	0	
EMR CIL 2023/24	7,143	
EMR CIL 2024/25	71,650	
EMR CIL 2025/26	6,574	
Total Funds	700,418	