



Lytham Town Council

Treasury Management and Investment Strategy 2026/27

(Adopted: 29/04/2026, Review due: 29/04/2027)

1. Introduction

The Council is required to operate a balanced budget, meaning that cash raised during the year will meet cash expenditure. This Treasury Management and Investment Strategy sets out how the Council will manage its cash flows, investments, and associated risks in accordance with statutory guidance and professional best practice.

The Strategy has been prepared in accordance with:

- The Local Government Act 2003
- The CIPFA Treasury Management Code of Practice
- DLUHC Statutory Guidance on Local Government Investments

2. Treasury Management Position Statement

The Council defines its treasury management activities as:

"The management of the Council's cash flows, borrowing, and investments, and the associated risks."

The Council recognises its responsibility to safeguard the management of public money. Consequently, the Council regards the successful identification, monitoring, and control of risk as the prime criteria by which the effectiveness of treasury management activities will be measured.

Accordingly, the Council adopts a prudent approach to treasury management and will ensure that:

- Security of capital is the primary objective
- Adequate liquidity is maintained
- Returns are maximised subject to the above constraints

3. Current Financial Position

The Council holds balances and reserves which are used to fund operational activities and future projects. These funds are managed to ensure that sufficient liquidity is available to meet day-to-day obligations.

The Council does not currently hold any external borrowing and has **no plans** to undertake borrowing for investment purposes.

4. Treasury Management Strategy - Principles

4.1 Cash Flow Management

The Cash flow will be monitored on a regular basis to ensure sufficient funds are available to meet the Council's obligations.

4.2 Borrowing Strategy

The Council does not intend to undertake external borrowing during the financial year 2026/27.

4.3 Interest Rate Considerations

The Council will adopt a cautious approach to investment, avoiding unnecessary exposure to interest rate volatility.

The Council will consider the most prudent way to manage bank account balances where, for example reserves are held, to identify options for protecting public money from devaluation due to inflationary pressures by seeking preferential Interest Rates. These options must be balanced against any issues pertaining to access.

4.4 Deposit Protection and Counterparty Grouping (FSCS)

The Council recognises the role of the Financial Services Compensation Scheme (FSCS), which provides protection for eligible deposits with UK-authorized banks, building societies, and credit unions up to £120,000 per authorised institution.

The FSCS limit applies per banking licence rather than per individual account, meaning that institutions within the same banking group may share a single compensation limit. This will be taken into account when assessing counterparty exposure.

The Council will, where practicable, spread its investments across multiple approved institutions in order to reduce concentration risk and ensure that exposure to any single banking group is managed prudently.

Where temporary high balances arise (for example, due to receipt of significant grants, precepts, or project funding), the Council will have regard to the FSCS temporary high balance protection rules, which may provide additional cover for qualifying deposits for a limited period.

All investment decisions will continue to prioritise security of capital, liquidity, and then yield, in accordance with statutory guidance and the CIPFA Treasury Management Code.

5. Risk Management

The Council recognises the following main risks associated with treasury management:

Credit Risk

The risk of counterparty failure will be managed through the selection of high-quality institutions and adherence to approved limits.

Liquidity Risk

The Council will ensure that sufficient funds are available to meet all obligations as they fall due.

Interest Rate Risk

The Council will avoid long-term commitments that could expose it to adverse interest rate movements.

Counterparty Risk

Investments will only be placed with approved counterparties meeting defined criteria.

NB: Where forecast cash balances are expected to exceed FSCS protection limits, the Responsible Financial Officer will take timely action to diversify deposits across approved counterparties to ensure continued protection of public funds.

6. Annual Investment Strategy

6.1 Investment Objectives

The Council's investment priorities are:

1. Security of capital
2. Liquidity
3. Yield (return)

6.2 Approved Investment Types

The Council will invest surplus funds with the following institutions:

- UK banks and building societies
- Other local authorities
- The UK Government's Debt Management Office
- Money Market Funds

6.3 Specified and Non-Specified Investments

Specified investments are those which:

- Are sterling denominated
- Are due to be repaid within 12 months
- Do not involve significant risk

The Council will primarily use specified investments.

Non-specified investments (longer-term or higher risk) will not normally be used.

6.4 Investment Limits

- Maximum investment per institution: £250,000
- Maximum investment period: 12 months

These limits may be varied by the Council where appropriate.

6.5 Creditworthiness

The Council will ensure that counterparties are financially sound and, where appropriate, will have regard to credit ratings and other available information.

6.6 Ethical Considerations

Where possible, the Council will give consideration to environmental, social, and governance (ESG) factors when making investment decisions.

7. Governance and Reporting

This Strategy will be approved annually by Full Council.

The Clerk/Responsible Financial Officer is responsible for the implementation and monitoring of treasury management activities.

Reports will be provided to Council at least annually, including:

- A mid-year review (where appropriate)
- An annual outturn report

8. Training

The Council recognises the importance of ensuring that Members and officers involved in treasury management receive adequate training.

Training will be provided as required to ensure informed decision-making.

9. Review

This Strategy will be reviewed annually and updated as necessary to reflect changes in legislation, guidance, or the Council's financial position.

Version Control

Version	Date	Description of Change	Author
V1 DRAFT	14/04/2026	Strategy Document written in DRAFT format	Clerk / RFO
V1	29/04/2026	Approved by Council	Clerk / RFO

Appendix A - Approved Counterparties

A list of approved counterparties will be maintained by the Responsible Financial Officer and reviewed regularly.

The Council currently holds its treasury balances with a single banking institution. This arrangement is reviewed regularly to ensure compliance with risk management requirements, including FSCS protection and concentration risk limits.

Appendix A1 - Approved Counterparty Register (as at 14/04/2026)

Institution	Type	FSCS Protected	Balance Held	Maximum Exposure Limit
Unity Trust Bank	UK Bank	Yes	£111,838	Balances above £120,000

Appendix A2 - Banking Group Exposure Summary

The Council recognises that FSCS protection applies per banking licence, meaning that institutions within the same banking group may share a single compensation limit. The Council therefore monitors exposure at banking group level as part of its risk management framework.

Banking Group	Institutions Included	Total Exposure
Unity Trust Bank	Standalone UK Bank - not part of a larger grouping	Balances above £120,000

This approach ensures that the Council maintains appropriate diversification awareness and manages counterparty concentration risk in line with the CIPFA Treasury Management Code and statutory guidance.

Clerk / RFO Comment (14/04/2026):

The Council's sole banking arrangement is with Unity Trust Bank, which is an independent UK-authorized institution and is not part of a wider banking group. Deposits are currently within the FSCS protection limit of £120,000, thereby providing full statutory protection of principal.

However, the Council has reached a Trigger Point, in that the foreseeable 2nd part Precept payment will be due later this year - and as such, diversification of banking is required.