

**Committee:** Cabinet

**Date:** 16 February 2016

**Title:** Treasury Management Strategy 2016/17

**Portfolio Holder:** Councillor Simon Howell

Agenda Item

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Item for  
decision

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## 1.0 Summary

- 1.1 The Council's cash-flow management, use of banks, investments and borrowing is governed by the Treasury Management Strategy (TM strategy).
- 1.2 The CIPFA Code of Practice for Treasury Management in Public Services (the "TM Code") requires the Council to determine its Treasury Management Policy and Strategy for 2016/17 and the following 2 years. However a five year strategy has been prepared to be consistent with the Medium Term Financial Strategy period.
- 1.3 The Local Government Act 2003 also requires Local Authorities to adopt Prudential Indicators and Minimum Revenue Provision Statements, see Appendices A1 and A2.
- 1.4 The TM strategy, *Appendix A*, will continue to give priority to security and liquidity of investment capital over return. It will also be prudent and transparent.
- 1.5 The strategy assumes no new external borrowing. Investments will continue to be prudent and diversify Council surplus cash within the parameters permitted.
- 1.6 The Scrutiny Committee reviewed the budget reports on 9 February. Comments from the Committee are in a separate item on the agenda.

## 2.0 Recommendations

- 2.1 The Cabinet is requested to approve, for recommendation to Full Council on 25 February, the following items:
  - Treasury Management Strategy 2016/17, Appendix A.
  - Prudential Indicators, Appendix A1.
  - Minimum Revenue Provision (MRP) Statement, Appendix A2
  - Economic Forecast, Appendix A3

### 3.0 Impact

Communication/Consultation	No specific implications
Community Safety	No specific implications
Equalities	No specific implications
Finance	The financial impact and the associated arrangements for managing risk are included in the body of the report.
Health and safety	No specific implications
Human Rights	No specific implications
Legal implications	The strategy fulfils requirements of the LGA 2003
Ward-specific impacts	No specific implications
Workforce /Workplace	No specific implications

### 4.0 Background

4.1 The 2016/17 Strategy (Appendix A) has incorporated updates to our current strategy; these are in line with recommendations by our independent Treasury Management Advisors (Arlingclose). The key changes are:

- The use of Money Market Funds to include non UK-Domiciled Funds
- Increased cash and time limits

4.2 The Treasury Management counterparty list is outlined below with recommended changes for 2016/17 included within brackets.

General Counterparty list *	Credit Rating	Cash limit	Time limit
Banks and other organisations whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	AAA	£2m (£3m)	365 days
	AA+	£2m (£3m)	365 days
	AA	£2m (£3m)	365 days
	AA	£2m (£3m)	365 days
	AA-	£2m (£3m)	365 days
	A+	£2m (£3m)	182 days (365 days)
	A	£2m (£3m)	182 days (365 days)
	A-	£2m (£3m)	182 days (365 days)
	BBB+	£1m	100 days
Council's General bank account if it fails to meet the above criteria, excluding fixed term deposit accounts		£1.5m (£2m)	next day
UK Central Government (irrespective of credit rating)	AA+	unlimited	50 years
UK Local Authorities including Fire and Police (irrespective of credit rating), per authority	N/A	£3m	182 days (365 days)
UK Building Societies without credit ratings	N/A	£1m	100 days (365 days)
Saffron Building Society	N/A	£0.5m	100 days
Money Market Funds, UK Domiciled per fund (non UK-domiciled funds)	AAA	£1m (£3m)	next day

- 4.3 The Council has adopted the TM Code which requires the Council to approve a Treasury Management Strategy before the start of each financial year.
- 4.4 In addition, the Department for Communities and Local Government (DCLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Council to approve an Investment Strategy before the start of each financial year.
- 4.5 The Treasury Management Strategy fulfils the Council’s legal obligation under the *Local Government Act 2003* to have regard to both the TM Code and the DCLG Guidance.
- 4.6 The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council’s Treasury Management Strategy and to mitigate these risks.

## 5.0 Background Papers

- 5.1 None

<b>Risk Analysis</b>			
<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigating actions</b>
Credit/Liquidity/Refinancing and Market risks	2 – Our advisors will alert us to any future or possible risks	2 – Some action may be necessary to ensure that funds are secure	<p>Council compliance with the legal framework as set out in the local Government Act 2003 (as amended), associated regulations and professional Codes of Practice/guidance.</p> <p>Compliance monitored regularly through:</p> <ul style="list-style-type: none"> <li>• adoption of TM Policy and Strategy</li> <li>• Mid year TM progress report to Cabinet/Council</li> <li>• Annual TM outturn Report to Cabinet/Council.</li> <li>• TM procedures</li> </ul>

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

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3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.