

Treasury Management Sub-Committee



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Annual Treasury Management and Investment Strategy Statements 2017/18 and Treasury Management Code of Practice	
Report No:	TMS/SE/17/002	
Report to and date/s:	Treasury Management Sub-Committee	16 January 2017
	Performance and Audit Scrutiny Committee	25 January 2017
	Cabinet	7 February 2017
	Council	21 February 2017
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Purpose of report:	To seek approval of the Annual Treasury Management and Investment Strategy Statements 2017/18 (including Treasury related Prudential Indicators) and Treasury Management Code of Practice.	

Recommendation:	<p>The Treasury Management Sub-Committee is asked to:</p> <p>(1) Make recommendations via the Performance and Audit Scrutiny Committee to Cabinet and Council regarding <u>approval</u> of the proposed Annual Treasury Management and Investment Statements 2017/18, (attached at Appendix 1)</p> <p>(2) Make recommendations via the Performance and Audit Scrutiny Committee to Cabinet and Council regarding the <u>approval</u> of the proposed Treasury Management Code of Practice 2017/18, (attached at Appendix 2)</p>
<p>Key Decision:</p> <p><i>(Check the appropriate box and delete all those that do not apply.)</i></p>	<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>Yes, it is a Key Decision - <input type="checkbox"/></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p>
Consultation:	<ul style="list-style-type: none"> Treasury management activities are currently undertaken in consultation with Sector (Capita), (the Councils appointed Treasury Management advisers) and also takes into account information obtained from investment brokers and other economic commentators. The committee provides for the scrutiny of treasury management strategies and performance, with changes in strategies and policies subject to approval by Cabinet and full Council.
Alternative option(s):	<ul style="list-style-type: none"> Options for the management of Council investments are formally considered within the Annual Treasury Management and Investment Strategy.
Implications:	
<p>Are there any financial implications? If yes, please give details</p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> Total budgeted interest receipts from investments, included in the MTFs, for 2017/18 is £234k
<p>Are there any staffing implications? If yes, please give details</p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none">
<p>Are there any ICT implications? If yes, please give details</p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none">
<p>Are there any legal and/or policy implications? If yes, please give details</p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none">
<p>Are there any equality implications? If yes, please give details</p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none">
Risk/opportunity assessment:	<p><i>(potential hazards or opportunities affecting corporate, service or project objectives)</i></p>

Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
	Low/Medium/ High*		Low/Medium/ High*
Fluctuations in interest rates or in projected cash flows having significant impact on budgeted investment income.	High	Spread of investments for periods of up to two years. Budget monitoring and quarterly performance reports. Use of interest equalisation reserve to smooth out year-on-year fluctuations.	Medium
Bank and building society failure resulting in loss of Council funds.	High	Use of Sector advice on counterparty credit ratings (based on Fitch, S&P and Moody ratings) and the setting of lending limits. Use of non-rated building societies based on asset base and additional credit checks.	Medium
Ward(s) affected:	All Ward		
Background papers: <i>(all background papers are to be published on the website and a link included)</i>	Annual Treasury Management and Investment Strategy 2016/17 (TMS/SE/16/002 - Appendix 1) Treasury Management Code of Practice 2016/17 (TMS/SE/16/002 - Appendix 2)		
Documents attached:	Appendix 1 – Annual Treasury Management and Investment Strategy Statements 2017/18. Appendix 2 – Treasury Management Code of Practice 2017/18.		

1. Key issues and reasons for recommendation(s)

1.1 Annual Treasury Management and Investment Strategy

1.1.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management requires that, prior to the start of the financial year, the Council formally approve an Annual Treasury Management and Investment Strategy which sets out its treasury management policy and strategy statements for the forthcoming year.

1.1.2 The purpose of this report is to present those strategy statements to the Treasury Management Sub-Committee for consideration.

1.2 Major changes between the 2016/17 Strategy and the new 2017/18 Strategy

1.2.1 Revised investment counterparty limits, as report to this committee 21 November 2016, have been incorporated into the 2017/18 Strategy.

1.3 Treasury Management Code of Practice

1.3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) recommend that all Councils adopt a Treasury Management Code of Practice based on the treasury management practices published by CIPFA and guidance issued in their Code of Practice on Treasury Management.

1.3.2 Adherence to the principles of this Treasury Code of Practice should ensure that Treasury Management within the authority is adequately controlled, and carried out in accordance with professional guidance of best practice

1.3.3 The approved Treasury Management Code of Practice has been updated to be in line with the proposed Annual Treasury Management and Investment Strategy Statements 2017/18 (detailed above).

1.4 Major changes between the Code of Practice 2016/17 and the new Code of Practice 2017/18

1.4.1 Revised investment counterparty limits, as reported to this committee 21 November 2016, have been incorporated into the 2017/18 Treasury Management and Investment Strategy.

1.4.2 The use of Enhanced Money Funds as approved by this committee on 21 November 2016 has been added to the approved types of investment in the 2017/18 Treasury Management and Investment Strategy.

2. Interest Rate Projections

2.1 The following table shows the revised interest rate projections from Sector (the Council's advisors) based on the current economic climate.

2.2

	Previous Strategy	New Strategy
2017/18	1.50%	0.55%
2018/19	2.00%	0.70%
2019/20	2.50%	0.70%
2020/21		0.75%

3. Counterparty Ratings

3.1.1 The Council continues to use the Capita (Sector) Colour Coded matrix in conjunction with information available from other industry sources to identify suitable counterparties for investments.

3.1.2 **Lending Criteria - Rated Banks and Investment Scheme**

Sector Colour Code Key	Maximum Duration / Investment Values*
Purple	Max £13m for max of 2 years (subject to max 50% of portfolio)
Orange	£12m for max of 2 years (subject to max 40% of portfolio)
Red	£11m for max of 1 year (subject to max 35% of portfolio)
Green	£9m for max of 6 months (subject to max 30% of portfolio)
Blue (nationalised / substantially owned by the UK government)	£18m for max of 2 years

* Note - This represents an adaption of the Capita (Sector) approach

3.1.3 **Lending Criteria - Rated Building Societies**

Sector Colour Code Key	Proposed Limits*
Red	£11m for max of 1 year (subject to max 35% of portfolio)
Green	£7m for max of 1 year (subject to max 30% of portfolio)

3.1.4 **Lending Criteria - Non Rated Building Societies(Asset Base Criteria)**

Asset Base	Maximum Duration / Investment Values
Asset base > £2,500m	£6m for max 6 months
Asset base > £1,000m	£5m for max 6 months

3.1.5 Please see the Annual Treasury Management and Investment Strategy Statements 2017/18, (**Appendix 1**) for full details.