

# Treasury Management Sub-Committee



*St Edmundsbury*  
BOROUGH COUNCIL

<b>Title of Report:</b>	<b>Treasury Management Strategy Statement 2019-2020 and Treasury Management Code of Practice</b>	
<b>Report No:</b>	<b>TMS/SE/19/002</b>	
<b>Report to and date/s:</b>	<b>Treasury Management Sub-Committee</b>	21 January 2019
	<b>Performance and Audit Scrutiny Committee</b>	31 January 2019
	<b>Shadow Executive (Cabinet)</b>	5 February 2019
	<b>Shadow Council</b>	19 February 2019
<b>Portfolio holder:</b>	Councillor Ian Houlder Portfolio Holder for Resources and Performance <b>Tel:</b> 01284 810074 <b>Email:</b> <a href="mailto:ian.houlder@stedsbc.gov.uk">ian.houlder@stedsbc.gov.uk</a>	
<b>Lead officer:</b>	Greg Stevenson Service Manager - Finance & Performance <b>Tel:</b> 01284 757264 <b>Email:</b> <a href="mailto:Gregory.stevenson@westsuffolk.gov.uk">Gregory.stevenson@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	To seek approval of Treasury Management Strategy Statement (including Treasury related Prudential Indicators) and Treasury Management Code of Practice.	
<b>Recommendation:</b>	<p><b>The Treasury Management Sub-Committee is asked to:</b></p> <ul style="list-style-type: none"> <li><b>(1) Make recommendations to Shadow Executive (Cabinet) and Shadow Council regarding the approval of the Treasury Management Strategy Statement 2019-2020 (as set out in Appendix 1); and</b></li> <li><b>(2) Make recommendations to Shadow Executive (Cabinet) and Shadow Council regarding the approval of the Treasury Management Code of Practice (as set out in Appendix 2).</b></li> </ul>	

<b>Key Decision:</b>	<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p>
<b>Consultation:</b>	<ul style="list-style-type: none"> <li>Treasury management activities are currently undertaken in consultation with Arlingclose Ltd, (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.</li> </ul>
<b>Alternative option(s):</b>	<ul style="list-style-type: none"> <li>Options for the management of Council investments are formally considered within the Annual Treasury Management Strategy Statement.</li> </ul>
<b>Implications:</b>	
<p><i>Are there any <b>financial</b> implications?</i> <i>If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> <li>Total budgeted interest receipts from investments, included in the MTFS, for 2019/20 is £142k*</li> <li>Total budgeted interest payable on loans, included in the MTFS, for 2019/20 is £682k*</li> </ul> <p><small>*Please note, these figures are provisional budget figures and may be subject to change during the budget setting approval process.</small></p>
<p><i>Are there any <b>staffing</b> implications?</i> <i>If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>
<p><i>Are there any <b>ICT</b> implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>
<p><i>Are there any <b>legal and/or policy</b> implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>
<p><i>Are there any <b>equality</b> implications?</i> <i>If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>

<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk (before controls)</b>	<b>Controls</b>	<b>Residual risk (after controls)</b>
	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 Arlingclose 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
<b>Ward(s) affected:</b>		All Wards	
<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>		SEBC Treasury management Code of Practice 2018-2019 (TMS.SE.18.002) SEBC Treasury Mgt Policy Statement Investment Strategy 2018-19 (TMS.SE.18.002) FHDC Treasury Mgt Policy Statement Investment Strategy 2018-19 (PAS.FH.18.009) FHDC Credit Rating Definitions (PAS.FH.18.009) FHDC Treasury Management Code of Practice 2018 (PAS.FH.18.009) FHDC List of Approved Organisations for Investments 2018-19 (PAS.FH.18.009)	
<b>Documents attached:</b>		<b>Appendix 1 – Treasury Management Strategy Statement 2019/2020</b> <b>Appendix 2 – Treasury Management Code of Practice 2019/2020</b>	

## **1. Key issues and reasons for recommendation(s)**

### **1.1 Treasury Management Strategy Statement**

- 1.1.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice requires that, prior to the start of each financial year, the Council formally approve a Treasury Management Policy Statement and Investment Strategy which sets out its treasury management policy and strategy 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 Treasury Management Code of Practice**

- 1.2.1 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.
- 1.2.2 Adherence to the principles of the CIPFA Code should ensure that Treasury Management activities within the Council are effectively managed and adequately controlled.

## **2. Additional supporting information**

### **2.1 Treasury Advisors**

- 2.1.1 Following a procurement exercise, Arlingclose Ltd, have been appointed as treasury advisors to West Suffolk Council.
- 2.1.2 The Treasury Management Strategy Statement & Code of Practice have been compiled in line with advice from Arlingclose.

### **2.2 Counterparty Ratings**

- 2.2.1 The Council uses the Arlingclose credit rating method in conjunction with information available from other industry sources to identify suitable counterparties for investments.

### **2.2.2 Approved investment counterparties and limits**

<b>Credit Rating</b>	<b>Banks Unsecured</b>	<b>Banks Secured</b>	<b>Pooled Funds</b>
AAA	£6m 5 years	£12m 20 years	£12m 20 years
AA+	£6m 5 years	£12m 10 years	£12m 15 years
AA	£6m 4 years	£10m 5 years	£10m 15 years
AA-	£6m 3 years	£10m 4 years	£10m 10 years

A+	£6m 2 years	£8m 3 years	£8m 5 years
A	£6m 13 months	£8m 2 years	£8m 5 years
A-	£6m 6 months	£6m 13 months	£6m 5 years
None	£1m 6 months	n/a	£1m 5 years
<b>UK Government</b>	£Unlimited, 50 Years		
<b>Other UK Local Authorities</b>	Using Arlingclose Rating Formula (Per iDeal trade platform) Gold - £12m, 5 years Silver - £10m, 5 years Bronze - £8m, 5 years		

### 3. Interest Rate Projections

3.1 The following table shows the revised interest rate based on the current economic climate.

	<b>Previous Strategy</b>	<b>New Strategy</b>
2019/20	0.90%	0.90%
2020/21	1.25%	1.00%
2021/22	1.50%	1.10%
		1.25%

Projections have been revised down due to slower interest rate rises than originally predicted by the Bank of England and re-profiling of the Council's capital programme.