

# Treasury Management Sub-Committee



*St Edmundsbury*  
BOROUGH COUNCIL

<b>Title of Report:</b>	<b>Annual Treasury Management and Investment Strategy Statements 2015/16</b>	
<b>Report No:</b>	<b>TMS/SE/15/002</b>	
<b>Decisions plan reference:</b>	<b>Feb15/02</b>	
<b>Report to and date/s:</b>	<b>Treasury Management Sub-Committee</b>	19 January 2015
	<b>Performance and Audit Scrutiny Committee</b>	29 January 2015
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<b>Lead officer:</b>	Rachael Mann Head of Resources and Performance <b>Tel:</b> 01638 719245 <b>Email:</b> rachael.mann@westsuffolk.gov.uk	
<b>Purpose of report:</b>	To seek approval of the Annual Treasury Management and Investment Strategy statements 2015/16 (including Treasury related Prudential Indicators).	
<b>Recommendation:</b>	<p><b>Treasury Management Sub Committee:</b></p> <p>The Treasury Management Sub-Committee is asked to make recommendations via the Performance and Audit Scrutiny Committee to Cabinet and Council regarding approval of the proposed Annual Treasury Management and Investment Statements 2015/16, (attached in <b>Appendix 1</b>)</p>	

<b>Key Decision:</b> <i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i>		<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	
<b>Consultation:</b>		<ul style="list-style-type: none"> <li>Treasury management activities are currently undertaken in consultation with Sector (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 and Investment Strategy.</li> </ul>	
<b>Implications:</b>			
<i>Are there any <b>financial</b> implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> <li>Total budgeted interest receipts from investments, included in the MTFS, for 2015/16 is £243k</li> </ul>	
<i>Are there any <b>staffing</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>	
<i>Are there any <b>ICT</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>	
<i>Are there any <b>legal and/or policy</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>	
<i>Are there any <b>equality</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>	
<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</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (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
<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>		Treasury Management Performance (E224) and Annual Treasury Management and Investment Strategy 2014/15 (E225)	
<b>Documents attached:</b>		Appendix 1 – Annual Treasury Management and Investment Strategy Statements 2015/2016	

**1. Key issues and reasons for recommendation**

**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 present those strategy statements to the Treasury Management Sub-Committee for consideration.

**1.2 Major changes between the 2014/15 Strategy and the new 2015/16 Strategy**

1.2.1 There have been no major changes to the Strategy since it was present to this committee on 20 January 2014.

**1.3 Treasury Management Code of Practice**

1.3.1 The approved Treasury Management Code of Practice, report E226 has been updated accordingly to reflect the proposed Annual Treasury Management & Investment Strategy Statements 2015/16. There are however no major changes to the Code of Practice to report since it was present to this committee on 20 January 2014.

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

**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

	<b>Previous Strategy</b>	<b>New Strategy</b>
2015/16	1.50%	0.90%
2016/17	1.50%	1.50%
2017/18	2.25%	2.00%
2018/19	2.25%	2.50%

**3. Counterparty Ratings**

3.1.1 The Council continues to use the 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 £10m for max of 2 years (subject to max 50% of portfolio)
Orange	£9m for max of 2 years (subject to max 40% of portfolio)
Red	£8m for max of 1 year (subject to max 35% of portfolio)
Green	£6m for max of 6 months (subject to max 30% of portfolio)
Blue (nationalised / substantially owned by the UK government )	£15m for max of 2 years

\* Note – This represents an adaption of the Sector approach

### 3.1.3 **Lending Criteria – Rated Building Societies**

Sector Colour Code Key	Proposed Limits*
Red	£8m for max of 1 year (subject to max 35% of portfolio)
Green	£6m 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	£3m for max 6 months
Asset base > £1,000m	£2.5m for max 6 months

- 4.** Please see the Annual Treasury Management and Investment Strategy Statement 2015/16, (**Appendix 1**) for full details.