

## **TREASURY MANAGEMENT STRATEGY STATEMENT AND INVESTMENT STRATEGY 2014/15 TO 2016/17**

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### **SUMMARY**

The Annual Treasury Management Strategy is agreed by Council as part of the budget setting process each February. A draft of the strategy is brought before Audit Committee prior to Council to allow greater scrutiny. Whilst responsibility for daily decisions is delegated to the Corporate Director of Finance, any changes to the strategy during the year are reported to Cabinet with an explanation of the need for those changes. Cabinet are fully involved in Treasury Management activity and discuss the current position on a monthly basis at Cabinet meetings, as part of the budget monitoring report.

### **RECOMMENDATIONS**

**The contents of the report are reviewed.**

### **INFORMATION**

#### **Treasury Management Strategy**

- 1 The treasury management strategy is reviewed annually and attached is a draft of the strategy to be agreed by Council on 20 February 2014. Under delegated authority, the Corporate Director of Finance has the authority to take all executive decisions in relation to daily treasury management.
- 2 In developing the Treasury Management Strategy analysis of the latest market conditions is undertaken alongside a review of the Council's borrowing requirements, allowing experienced officers to develop a draft strategy for review. In considering the Council's investment opportunities, consideration is given to advice from Arlingclose, the Council's Treasury advisors, particularly in relation to where they advise against inclusion on the Council's Counterparty List. Less reliance is placed on their advice in relation to adding new counterparties to the list as the Council's strategy and the Corporate Director of Finance currently places stricter conditions than those imposed by Arlingclose.
- 3 At this stage, the draft borrowing strategy for 2014/15 will maintain the approach of utilising internal resources to fund the majority of capital expenditure. The current interest rate environment of low investment returns compared with borrowing costs, results in a cost of carry on borrowed funds awaiting deployment. Where internal resources are unable to meet the capital expenditure requirement a variety of options will be appraised, but in reality, the Public Works Loan Board remains the primary and most likely source.
- 4 The investment strategy has been developed with the intention to maintain a broadly risk averse approach, whilst being able to seek an optimum yield within the security and liquidity restrictions. The strategy has been simplified and Appendix D, which lists instruments and counterparties, now only contains those institutions and financial

instruments which the Council is planning to utilise. Those which theoretically could have been used, but which the Council has no intention of using, have been removed.

- 5 The main proposed changes to the strategy for 2014/15 are the inclusion of three new counterparties: Santander UK, Close Brothers and Leeds Building Society; and a reduction of the individual counterparty holding limit for 15% to 10% to reduce exposure to individual institutions.
- 6 Throughout the year the specific investment guidelines in relation to additions and removals to the counterparty list and to the time and value limits of investments are kept under continual review and changes are agreed by the Corporate Director of Finance under his delegated authority.
- 7 It should be noted that at this stage although a draft strategy for next year has been developed, the figures contained within it are not finalised as work will continue on refining the estimates of the balances and reserves position until the budget is completed in February. As a result many of the figures within the report are subject to change such as the CFR, prudential indicators and projected borrowing. This will be fully reviewed by Cabinet on 13 February 2014, prior to the Strategy being presented to Council for approval on 20 February 2014.

## **BACKGROUND DOCUMENTS**

None