

# **Treasury Management Strategy Statement and Investment Strategy 2016/17 to 2020/21**

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## **SUMMARY**

The Annual Treasury Management Strategy is agreed by Full 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 investment strategy has been developed with the intention of maintaining a broadly risk averse approach, whilst being able to seek an optimum yield within the security and liquidity restrictions. In producing the TMSS, new banking reform legislation has been taken into account which removed government support to failing banks from 2015, as there is a heightened risk to the Council's unsecured investments due to bail-in.
- 2 The main change to the strategy for 2016/17 is the extension of Covered bonds into counterparties where the bond issue is rated AA or above as the bond is supported by collateral. Advice will be obtained from the Council's Treasury Advisor before placing funds in a covered bond.
- 3 In addition the duration limit for non-specified investments has been extended to 3 years from 2 years to enable more opportunity to invest in secure deposits which have a longer term horizon. This will allow the Council to place investments more securely and with improved yield. Investments over 364 days will be monitored within approved prudential indicator limits.
- 4 At this stage, the draft borrowing strategy for 2016/17 maintains the approach of utilising internal resources to fund a large proportion of capital expenditure. The current interest rate environment of low investment returns compared with borrowing costs, means the current strategy is more cost effective, and risk is reduced from holding additional cash in advance of capital programme spend. Where internal resources are unable to meet the capital expenditure requirement a variety of options will be appraised, however the Public Works Loan Board (or successor body) will

remain the primary and most likely source of borrowing. The Council does not expect to require new borrowing until 2017/18.

- 5 Throughout the year the specific investment guidelines in relation to additions and removals to the counterparty list and duration and value limits of investments are kept under continual review and changes are agreed by the Corporate Director of Finance under his delegated authority. Amendments to the strategy are not implemented until approved by Cabinet.
- 6 It should be noted that at this stage the figures contained within the draft 2016/17 strategy are not finalised as work will continue on refining the estimates of the balances and reserves position until the budget is completed early in 2016. As a result many of the figures within the report are subject to change such as the CFR, prudential indicators and projected borrowing. The final strategy will be reviewed by Cabinet on 18 February 2016, prior to being taken to Council for approval on 25 February 2016.

## **BACKGROUND DOCUMENTS**

None