

## **Item 6 (b) – Treasury Management Strategy**

The attached report was considered by the Cabinet on 6 February 2014, relevant minute extract below:

### 74. Treasury Management Strategy 2014/15

Members considered the reference and recommendations received from the Finance & Resources Advisory Committee. The Portfolio Holder for Finance & Resources presented the report which advised that the Local Government Act 2003 (the Act) and supporting regulations required the Council to ‘have regard to’ the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable. The Act therefore required the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by investment guidance issued subsequent to the Act) which set out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments. Members’ attention was drawn to paragraphs 61-64 of the report and Appendix F, which dealt with proposed changes to the investment criteria.

With reference to recommendation (c) the Portfolio Holder for Finance and Resources expressed his hesitance at looking at investing in non-UK banks. The Chairman acknowledged this but pointed out that rates of returns were diminishing and the Council was tasked with achieving value for money and therefore some of the risks needed to be investigated. He asked whether local government bonds had been looked at. The Chief Finance Officer advised that once more detail was available a report would be brought before the Advisory Committee.

*Action 1: The Finance and Resources Advisory Committee to look at local government bonds once more detail was available.*

### Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That

- a) the following amended investment criteria be included in the Treasury Management Strategy for 2014/15:
  - i) Maximum investment period of 2 years.
  - ii) Investments in any single institution or institutions within a group of companies be limited to 25% of the total fund, at the time the

investment is placed, except it be increased for Lloyds Banking Group plc and Royal Bank of Scotland Group plc to 30%.

- iii) Total investments in any one foreign country be limited to 15% of the total fund, but UK-based institutions to be used as first preference.
  - iv) Investments in banks be limited to £6m per counterparty excluding call accounts and £7m including call accounts except for Lloyds Banking Group plc and Royal Bank of Scotland Group plc, where the limits would be £10m for each with no distinction between fixed deposits and call accounts.
  - v) If the Council's own banker, Barclays, falls below Capita Asset Services' minimum credit rating requirements, it would nevertheless continue to be used, although balances would be minimised in both monetary size and duration.
  - vi) Building Societies with assets in excess of £9bn be included in the lending list with a maximum investment limit of £2m each and a maximum duration of 100 days. If a Building Society meets Capita Asset Services' minimum credit rating requirements, the investment limit be increased to £5m with a maximum duration of two years.
  - vii) Enhanced Money Market Funds (EMMF) to be used as an alternative to the existing standard Money Market Funds (MMF) with a combined maximum limit of £5m per provider.
- b) Property Funds with a limit of £5m in each not be included at this time;
  - c) investments in non-UK banks not be included at this time, but the matter be brought before a future meeting of the Finance and Resources Advisory Committee for further consideration; and
  - d) **it be recommended to Full Council** to approve the amended Treasury Management Strategy for 2014/15.