

Item 9 – Treasury Management Strategy 2015/16

The attached report was considered by the Finance & Resources Advisory Committee relevant minute extract below:

Finance & Resources Advisory Committee – 20 January 2015 (Minute 43)

The Principal Accountant presented a report which explained 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 were 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 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 paragraph 61 of the report, which provided further details on Enhanced Money Market Funds (EMMFs). These funds had not been utilised because of concerns from some Members that they carried more risk than other permitted investments, but it was proposed they would be utilised from 2015/16. Alternatively he suggested that the limit for lending to any of the top five Building Societies not meeting minimum credit rating requirements be increased from £2 million to £4 million each and the limit for lending to Handelsbanken be increased from £3 million to £5 million to give options rather than lending to the Government at 0.25%.

A Member highlighted that investing in a regular MMF carried a risk as well in that the spending power of the investment would be eroded by inflation. The Principal Accountant advised that regular MMFs would generally have a return of between 0.4 to 0.5% whereas EMMFs had 0.7 to 0.9%. However EMMFs would require one or two days’ notice for settlement of an withdrawal requests and, because their returns varied month to month, it was expected investments would usually be kept in for three or six months to even out returns. Some of the funds fell below AAA rating, most were based in Ireland but were regulated by the FCA and they were sterling funds. In response to a suggestion that the proposed £5 million be spread across different EMMFs, the Principal Accountant warned that it would increase work in monitoring the funds and a Member noted it would increase management costs.

Members asked whether it would assist Officers to have the amendment to investment criteria for Building Societies and Handelsbanken in addition to EMMFs. The Principal Accountant confirmed that it would.

Public Sector Equality Duty

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

Resolved: That it be recommended to Cabinet that

- a) investments in AAA rated Enhanced Money Market Funds be commenced with an overall limit of £5 million which may be in a single fund or split between different funds;
- b) the limit for investments in any of the top five Building Societies not meeting minimum credit rating requirements be increased from £2 million to £4 million each;
- c) the limit for lending to Handelsbanken be increased from £3 million to £5 million; and
- d) subject to those comments, Cabinet recommend that Council approve the Treasury Management Strategy for 2015/16.