

Treasury Management Strategy

Thursday 21 February 2019

Report from Cabinet Member for Resources

Purpose of this Report

1. The purpose of this report is for the Council to consider the Treasury Management Strategy Statement for 2019/20.

Background

2. Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
3. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

Main section

4. The Treasury Management Strategy Statement for 2019/20 is attached as Appendix 1. Investments held for service purposes or for commercial profit are considered in a different report, the Capital and Investment Strategy.
5. The Council may invest its surplus funds with any of the counterparty types in the following table.

Credit rating	Banks unsecured	Banks secured	Government
UK Govt	n/a	n/a	£ Unlimited 50 years
AAA	£5m 5 years	£10m 20 years	£10m 50 years
AA+	£5m 5 years	£10m 10 years	£10m 25 years
AA	£5m 4 years	£10m 5 years	£10m 15 years
AA-	£5m 3 years	£10m 4 years	£10m 10 years
A+	£5m 2 years	£10m 3 years	£5m 5 years
A	£5m 13 months	£10m 2 years	£5m 5 years
A-	£5m 6 months	£10m 13 months	£5m 5 years
None	n/a	n/a	£10m 25 years
Pooled funds		£25m per fund	

6. The table below summarises the proposed investment limits for 2019/20 which are the same as the current strategy for 2018/19 apart from the Money Market Funds where the total has increased from £50m to £75m to allow headroom for investments in Money Market Funds where it is anticipated that there could be short term increases in cash balances depending on the timing of arranging borrowing and completing potential commercial property acquisitions.

Investment Limits	Cash limit
Any single organisation, except the UK Central Government	£10m each
UK Central Government	Unlimited
Any group of organisations under the same ownership	£10m per group
Any group of pooled funds under the same management	£25m per manager
AAA sovereign rated foreign countries	£20m per country
AA+ sovereign rated foreign countries	£10m per country
Money Market Funds	£75m in total

7. The MRP section and capital prudential indicators are now reported in the Capital and Investment Strategy so that all capital related elements are included in one report.

Recommendation

Council is asked to:

- | 1. **Approve the Treasury Management Strategy Statement.**

CABINET MEMBER FOR RESOURCES

Appendix 1 – Treasury Management Strategy Statement for 2019/20