

Policy Committee – 12th April 2016

Amendment to the Treasury Management Strategy Statement for 2016/17



Report of the Strategic Manager – Financial Services (s151 Officer)

Lead Member – Finance: Councillor Mulligan

Ward(s) affected: All

1. **Purpose of Report**

To inform Members of the result of a review of the strategy with regard to the assessment of counterparties for unspecified investments.

2. **Recommendations**

It is recommended to Council that the criteria for the use of UK building societies is limited to those with a minimum asset base of £1bn.

3. **Background Information**

3.1 The Treasury Management Strategy Statement (TMSS) for 2016/17 was approved by Members at the Policy Committee meeting held on 16th February 2016.

3.2 Appendix C of the TMSS report sets out the Treasury Management Practices Schedule 1 (TMPS 1) which defines both specified and non-specified investments. In summary, specified investments are those with little or no risk to the capital invested, while non-specified investments carry a greater risk.

3.3 Appendix B of the TMSS report defines the investment strategy to be followed during the year 2016/17 which must be in line with TMPS1.

3.4 Treasury management strategies are reviewed periodically and in the light of new or updated circumstances.

4. **Review of the Council's Investment Strategy**

4.1 Non-specified investments defined in TMPS1 include those with UK building societies which do not carry credit ratings from any of the rating agencies.

4.2 The annual investment strategy currently states that the minimum asset base should be £2.5bn which is a typing error and should read £0.25bn (i.e. £250 million).

4.3 £0.25bn has been the Council's minimum criterion for a number of years and

has continued throughout the banking crisis which started in 2009.

4.4 Since 2009, financial institutions have put in place measures to improve sustainability which include the setting aside of secure assets to protect investors from losses of capital.

4.5 It is now considered that an asset base of £0.25bn is insufficient to provide the Council with sufficient protection against loss, and that the minimum should be £1bn and this will be reflected in TMPS1. This level will continue to be kept under review in the light of emerging risks.

5. Implications

5.1 Financial and Value for Money Implications

The revision of the criteria for unspecified investments limits the use of UK building societies to the larger institutions which gives increased security of the Council's investments.

5.2 Legal implications

None

5.3 Contribution to Council Priorities

Periodic reviews of the treasury management strategy supports financial resilience of the council.

5.4 Risk Management

Approval of the Treasury Management Strategy and subsequent revisions enables the Council to comply with Government guidelines. It also contributes to its business and service objectives, and to the effective management of the risks associated with Treasury Management activities.

5.5 Equality Impact Assessment

The Council's Equality Impact Assessment Procedure **has been** followed. An Equality Impact Assessment **has not** been completed on the proposals as completion of **Stage 1- Initial Screening** of the Procedure identified that the proposed policy, strategy, procedure or function **does not have** the potential to cause negative impact or discriminate against different groups in the community based on •age • disability •gender • race/ethnicity • religion or religious belief (faith) •sexual orientation, or • rural isolation.

6. Consultations with Others

None

7. Access to Information : Background Documents

None

8. Author of the Report

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9. Appendices

None