

Appendix A

REVISED TREASURY MANAGEMENT INVESTMENT STRATEGY 2011/12

1.0 INTRODUCTION

- 1.1 The treasury management service is an important part of the overall financial management of the Council's affairs.
- 1.2 The Council's treasury activities are strictly regulated by statutory requirements and a professional Code of Practice which was adopted on 20 February 2003.
- 1.3 As a result of adopting the Code the Council also adopted a Treasury Management Policy Statement at the Policy, Finance and Administration Committee on 29 January 2003. The revised Code of Practice has revised the Treasury Management Policy Statement to include provision for the scrutiny of the Treasury Management Strategy and this Council has allocated this to the Budget and Strategic Planning Working Group.
- 1.4 The Treasury Management Policy required an annual strategy (2 February 2011) to be reported to Council outlining the activity for three years. A key requirement of this report is to both explain risks and the management of these risks.
- 1.5 Over the past two years the Council, in the light of financial uncertainty, has restricted itself to a risk averse approach to the investment of its balances. This has been achieved by the adoption of a counterparty list that has been based on a relatively small investment portfolio, however, with the impending capital receipt from the sale of surplus land, the present limits are inadequate to allow a spread of risk over a number of creditworthy institutions and it is necessary to revise the limits.

2.0 INVESTMENT STRATEGY LIMITS

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|--------------------------------|---|-----------------------------------|
| 2.1 Money Market Funds | - | £3m per fund |
| Local Authorities | - | £2m per Council |
| Part Nationalised Institutions | - | £2m with a time limit of 3 months |

This will allow greater flexibility for extending the maturity profile without compromising the high credit quarterly criteria adopted by the Council.

- 2.2 All other counterparty limits, including Eligible Institutions which comply with the LCD counterparty credit criteria, are limited to one month and £1m. In addition a further tier be introduced differentiating between AA – and A- (long term) rated counterparties that comply with the credit criteria. The single “A” category will be limited to a maximum of £2m and for the higher rated institutions the limit be increased to £3m (i.e. AA- long term rating or better). This increase will assist in enhancing the investment levels.

3.0 REPAYMENT OF DEBT

- 3.1 Repayment of loans will be considered once the capital receipt is received although, with interest rates low, there will be an early repayment premium involved.
- 3.2 Funds that are kept flexible will also enable the Council to explore the use of internal borrowing with the forthcoming HRA Reform.