

**FULL COUNCIL****12 OCTOBER 2011****REPORT OF HEAD OF CENTRAL SERVICES****TREASURY MANAGEMENT INVESTMENT STRATEGY****1.0 PURPOSE OF REPORT**

- 1.1 This report outlines changes required to the 2011/12 Treasury Management Investment Strategy should the Council's balances for investment change significantly following receipt of a large capital sum.

**2.0 RECOMMENDATIONS**

- 2.1 **The Budget & Strategic Planning Working Group recommends to the Council that the revised Investment Strategy as set out in Appendix A be approved together with the counterparty limits contained therein and the changes to take effect should the Council's balances significantly change at the conclusion of the sale of surplus land on Nottingham Road (para. 5.0 refers).**

**3.0 KEY ISSUES**

- 3.1 Background

- 3.2 The Council is currently negotiating the sale of surplus land on Nottingham Road and as a result will receive a large capital receipt for investment on completion.

- 3.3 The Council has, in the light of financial uncertainty, adopted a risk-averse approach to the investment of its surplus funds. This has been achieved by the adoption of a counterparty list that is based on high credit criteria as well as cash and time limits together with the knowledge that the Council has a relatively small portfolio. There is now an impending capital receipt which will result from the sale of surplus land and the present limits are inadequate to allow a spread of risk over a number of credit-worthy institutions.

- 3.4 In order to allow greater flexibility without compromising the high credit quality already adopted it is proposed to increase the counterparty limits on a) each money market fund from £1m to £3m; b) local authorities from £1m to £2m and c) part nationalised institutions from £1m to £2m with a time limit of 3 months.

All other limits, including Eligible Institutions which comply with the lowest common denominator (LCD) counterparty credit criteria are limited to one month and £1m.

A further tier has now been introduced differentiating between AA- and A- (long

term) rated counterparties that comply with the credit criteria. The single 'A' will be limited to a maximum of £2m and for the higher rated institutions the limit will increase to £3m (i.e. AA- long term rating or better). This will then assist in enhancing the investment levels.

- 3.5 Due to the continuing financial turmoil it is not recommended that there be any dilution of the high credit criteria adopted by the Council in its current investment strategy, however the revised strategy should enable the Council to accommodate the expected increase in surplus funds.

#### 4.0 **POLICY AND CORPORATE IMPLICATIONS**

- 4.1 There are no other major policy and corporate implications arising from the report.

#### 5.0 **FINANCIAL AND OTHER RESOURCE IMPLICATIONS**

- 5.1 There are no other financial implications arising from the report and Members are recommended to approve the investment strategy (as revised) at Appendix A.

#### 6.0 **LEGAL IMPLICATIONS/POWERS**

- 6.1 There are no other legal implications arising from this report.

#### 7.0 **COMMUNITY SAFETY**

- 7.1 There are no direct links to community safety arising from this report.

#### 8.0 **EQUALITIES**

- 8.1 There are no direct equality issues arising from this report.

#### 9.0 **RISKS**

9.1 The relevant risks are considered in the table below:

**Probability**  
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Very High A				
High B				
Significant C				
Low D				
Very Low E			1, 2	
Almost Impossible F				
	IV Neg- ligible	III Marg- inal	II Critical	I Catast- rophic

→  
**Impact**

Risk No.	Description
1	Poor Investment
2	Failure of counterparties

9.2 The relevant risks are considered to be of a very low probability, albeit of a critical nature and are mitigated as set out in the following paragraphs.

9.3 The Council uses three credit rating agencies to assess the suitability of lending institutions thereby reducing the reliance on just one agency for advice. In the current environment a highly selective and cautious stance will be the best approach.

**10.0 CLIMATE CHANGE**

10.1 There are no climate change issues arising from this report.

**11.0 CONSULTATION**

11.1 The Council’s treasury management consultants have been consulted on this report.

**12.0 WARDS AFFECTED**

12.1 All wards are affected.

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Date: 11 September 2011

Appendices : Appendix A – Revised Treasury Management Strategy 2011/12

Background Papers: Prudential Indicators Working Papers  
MTFS  
Revenue Estimates  
Capital Programme

Reference : X : C'tees, Council & Sub-C'tees/Full Council/2011-12/12-10-11/DG - Treasury Management Strategy