

Report to the Council

Committee: Cabinet **Date:** 1 November 2016

Subject: Treasury Management Strategy Statement & Investment Strategy 2016/17 – 2018/19.

Portfolio Holder: Councillor G Mohindra - Finance

Recommending:

(1) That the following changes to the Council's Treasury Management Strategy Statement and Investment Strategy be approved:

- (a) an increase in the group limit for Local Authorities from £20million to £25million;**
 - (b) an increase in the group limit for Money Market Funds from £15million to £20million; and**
 - (c) an increase in the limit for NatWest (the Council's banker) from £2.5million to £5million.**
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1. The Annual Outturn report on the Treasury Management and Prudential Indicators for 2015/16 was considered by the Finance & Performance Management Cabinet Committee on 15 September 2016 and the Audit & Governance Committee on 19 September 2016.

2. Both Committees noted that the Council had continued to finance its capital programme through internal resources. The combined balances on Capital Receipts and the Major Repairs Reserve at the end of the year were broadly similar to the anticipated closing balances, which meant that the Council still had adequate resources going forward to finance its medium-term capital programme. The Council had procured no new borrowing and did not breach any of the Treasury Prudential Indicators during the year.

3. In constructing the Treasury Management Strategy Statement and Investment Strategy for 2016/17 to 2018/19, some very prudent restrictions had been applied to some classes of investments. It had become evident that these restrictions were too prudent and caused operational difficulties in managing the Council's cash flow. Some minor changes had been proposed to the following classes of investments:

- (a) an increase in the group limit for Local Authorities from £20million to £25million;**
- (b) an increase in the group limit for Money Market Funds from £15million to £20million; and**

(c) an increase in the limit for the Council's banker, NatWest Plc, from £2.5million to £5million.

4. These changes, if agreed, would ease the operational difficulties without adding significantly to the risk profile of the Council's investments.

5. If the current limits were maintained than the Council would spend more time than was necessary managing its cash flow and undertaking transfers between accounts that were not really necessary. The main operational difficulty was trying to contain the balance on the NatWest account below the current limit of £2.5million, and increasing this limit to £5million would reduce the work needed to manage the cash flow. The Council's Treasury Management consultants, Arlingclose, had no objections provided the money was only left overnight and no fixed term deposits were made with NatWest. The Council had no fixed term deposits with NatWest and did not intend to start doing so.

6. We recommend as set out at the commencement of this report.