

From CABINET MEETING held on 9 March 2017

Council Agenda Item 8 (Cabinet minute 13)

Treasury Management Strategy 2017/18

RECOMMENDED

- (1) (a) that the following changes to the 2016/17 Treasury Management Policy Statement as amended by the Mid-Year Review be approved:
- (i) that the minimum revenue provision for the repayment of government supported borrowing other than finance leases and service concessions (including private finance initiative schemes) is changed from a straight 2% annual provision to a 50 year annuity provision with effect from 2016/17 (paragraph 8.4 of Treasury Management Policy Statement);
 - (ii) that the Director of Finance and Information Services (Section 151 Officer) be given delegated authority to release the over provision of MRP into the General Fund over a prudent period (paragraph 8.5 of Treasury Management Policy Statement);
 - (iii) that investments be permitted in enhanced money market funds with a single credit rating of at least AA and that these funds be treated as category 6 (A+) investments to reflect the increased risk of relying on a single credit rating (as opposed to category 4 if two ratings had been obtained - paragraph 11.4 of Treasury Management Policy Statement)
 - (iv) that investments are only placed with registered social landlords that have a financial viability rating of V1 from the Homes and Communities Agency (paragraph 11.5 of Treasury Management Policy Statement);
 - (v) that investments in universities be permitted (paragraph 11.13 of Treasury Management Policy Statement);
 - (vi) that the maximum investment in a single institution in category 7 be increased by £2m from £13m to £15m (paragraph 11.16 of the Treasury Management Policy Statement);
 - (vii) that investments be permitted in covered bonds that are secured against local authority debt or covered bonds that have a credit rating that meets the Council's investment criteria even if the counter party itself does not meet the Council's credit criteria (paragraph 11.19 of Treasury Management Policy Statement);

- (viii) that investments in repos / reverse repos collateralised against index linked gilts, conventional gilts and UK treasury bills be permitted, and that should the counter party not meet our senior unsecured rating then a 102% collateralisation would be required (paragraph 11.20 of Treasury Management Policy Statement);
 - (b) that the treasury management indicators contained in Appendix D be approved;
 - (c) that the attached Treasury Management Policy Statement including the Treasury Management Strategy, Annual Minimum Revenue Provision for Debt Repayment Statement and Annual Investment Strategy for 2017/18, and encompassing the amendments contained in recommendation (1)a and the treasury management indicators contained in Appendix D be approved;
 - (d) that the Director of Finance and Information Services (Section 151 Officer) and officers nominated by him be given delegated authority to (paragraph 3.2 of Treasury Management Policy Statement):
 - (i) invest surplus funds in accordance with the approved Annual Investment Strategy;
 - (ii) borrow to finance short term cash deficits and capital payments from any reputable source within the authorised limit for external debt of £607m approved by the City Council on 14 February 2017;
 - (iii) reschedule debt in order to even the maturity profile or to achieve revenue savings;
 - (iv) to buy and sell foreign currency, and to purchase hedging instruments including forward purchases, forward options and foreign exchange rate swaps to mitigate the foreign exchange risks associated with some contracts that are either priced in foreign currencies or where the price is indexed against foreign currency exchange rates.
 - (e) that the Chief Executive, the Leader of the City Council and the Chair of the Governance and Audit and Standards Committee be informed of any variances from the Treasury Management Policy when they become apparent, and that the Leader of the City Council be consulted on remedial action (paragraph 17.1 of Treasury Management Policy Statement)
- (2) that the Director of Finance and Information Services (Section 151 Officer) submits the following (paragraph 19.1 of Treasury Management Policy Statement):

- (i) an annual report on the Treasury Management outturn to the Cabinet and Council by 30 October of the succeeding financial year;**
- (ii) a Mid-Year Review Report to the Cabinet and Council;**
- (iii) the Annual Strategy Report to the Cabinet and Council in March 2018;**
- (iv) a quarter 3 treasury management monitoring report to the Governance and Audit and Standards Committee.**