

Notes of the Treasury Management Task & Finish Group held on Wednesday 16 April 2014 at 10.00am in Committee Room 1

Members Present: Mr A P Dignum, Mrs P A Hardwick, Mr G V McAra, Mr R M J Marshall, and Mrs P M Tull

Officers: Mrs H Belenger, Mr J Ward and Mr P Coleman

Also present: Mr David Green, Arlingclose Ltd

1. Agreed that notes of the last meeting, held on 6 February 2014, are a correct record.
2. **Treasury Management Policy Statement, Treasury Management Strategy Statement and the Annual Investment Strategy for 2014/15**

Mrs Belenger introduced the revised document, which showed in track changes revisions that took into account members' comments at the last meeting.

4 Risk Appetite Statement

Mrs Belenger explained that this was a new statement, which explained that the considerations taken into account were:

1. Security
2. Liquidity
3. Yield

After discussion, it was agreed that the second paragraph should be amended as follows:-

First sentence:-

This means that the Council, ~~is not totally~~ whilst fundamentally risk adverse, ~~but will accept some~~ modest degree of risk, and will consider the range of risks as set out specifically in the Treasury Management Practices (TMP 1), and how to prudently manage those different risks, whilst ensuring that priority is given to security and liquidity when investing funds before seeking to optimise yield.

Final sentence:-

Insert "such as" before "in relation to a possible change of Government..."

5 Economic background

Update unemployment figures

7-9 Prospects for Interest Rates

Change "late 2016" to "mid 2016"

Update Tables 1, 2 and 3. Add source to Table 1.

Table 2: Add "Medium Term Investments and add definitions:-

Short Term: up to one year

Medium Term: One to four years

Long Term: Over four years

HB to check references throughout to “long term” in case they should be “medium to long term”. Be consistent.

Table 4: Approved Investment Counterparties

Fourth counterparty to be amended to read:-

“UK Building Societies whose lowest published long-term credit rating is ~~BBB+~~ or **BBB or above** and societies without credit ratings with **gross** assets greater than £250m”

Fifth counterparty (Money market funds) to have a credit rating of AAA, for this year only.

16 Building Societies

Amend 2nd sentence The Council “takes comfort from “ to “The Council is aware of the building societies.....etc.”

Add “although the Government has plans to change this” after “paid out in preference to retail depositors”.

17 Money Market Funds

Explain that the EU is legislating to withdraw rating system, so AAA rating applies for this year only.

18 Risk Assessment and Credit Ratings

Mr McAra questioned who was responsible for taking decisions to withdraw investments that became at risk. Mr Ward explained that officers could suspend further transactions with counterparties, but it might not always be possible to withdraw investments. It was agreed that an addition should be made to the effect that in the case of a decision to sell at cost over virement limits the urgent action procedure would be invoked.

22 Specified Investments

HB to consider whether text can be shortened.

23 Non-specified Investments

Paragraph 23 and Table 5 to be amended for consistent use of “ medium and long-term”

In Table 5, remove row relating to Total investments in foreign countries.

Mr McAra asked whether there should be some oversight of returns from investment in property. Mrs Belenger suggested that the Council needed a separate capital strategy, which would set out how the Council should use money to invest in property. Mr Dignum said that major investments had to be decided by Cabinet and Council. He reminded the Group of the unallocated New Homes Bonus of about £13m. Two calls on this were investments in property to obtain a better return than cash investments and to enhance the local economy, and infrastructure shortfalls which could not be met by the Community

Infrastructure Levy (CIL). He agreed that the Cabinet Members for Support Services and Finance and Governance, with officer support, ought to prepare a strategy.

24 Use of Specified and Non-Specified Investments

Substitute “making” or “selection” for “use”

Table 6: Investment Limits

The last two rows (Building Societies and Money Market Funds) should be amended to £8m in total.

In a discussion about investment in local authorities, it was agreed that the Council should not invest in Scottish local authorities, pending the decision on Scottish independence.

28 Treasury Management Indicators

Mr Marshall commented that simple proper indicators were needed on liquidity and interest rate exposures. In his view the measures suggested were not true indicators, but upper limits on investments.

It was agreed:-

(1) that the following indicators should be added:

Liquidity: £3m available within three months

Interest Rate Exposures: Weighted average, probably expressed as a range, say 4-4.5

(2) Paragraph d (Maturity Profile of Borrowing) should be deleted after the first sentence.

(3) An explanation of Table 9 should be inserted, as members had read it differently from how it was intended.

3. Treasury Management Practice Notes

Page 18. Amend highlighted paragraph to read:-

“To maintain flexibility and liquidity, ~~of specified investments with a maturity of date of 12 months or less,~~ the maximum amount of medium and long term lending is set at £15m; the balance of surplus funds will be held short term.”

Page 19. Amend second highlighted paragraph to read:-

“In balancing risk against return, the Council should be primarily concerned with the security of the investment before seeking to maximise returns.”

Page 20 [8] Market Risk Management

Amend to show that the Council will accept modest risk, perhaps:-

“The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests ~~and will accordingly seek to protect itself from the effects of such fluctuations.~~”

Page 22 **TMP 3 [3]**

Investment Guidelines – Roles

Substitute “An Accountancy Assistant designated by the Section 151 Officer” for “The Accountancy Assistant (FIN/18)”.

Page 23 **TMP 4 [1]**

Insert “responsible” after “The Section 151 Officer shall be”.

Page 24 and throughout TMPs

Amend tables and text to be consistent with Treasury Management Statements.

Page 26

Refer to Bonds in third bullet on non-specified investments.

TMP 4 [6]

Amend reference to external professional advisers.

Page 34 highlighted paragraph

Be consistent whether treasury management adviser(s) is singular or plural

Page 35 **Money Market Funds**: Add AAA rating

4. Investment Opportunities for Chichester District Council

Mr Green made a presentation on Investment Opportunities.

The Group noted that, by September, the Council would have improved returns, while reducing risk.

Referring to criticisms by the Secretary of State about local authorities with large reserves, the Chairman asked how Chichester compared with other similar local authorities. Mr Green agreed to provide information to Mrs Belenger.

Mr Green commented on the different types of bonds and the various custody options and pooled bond funds.

The Group encouraged officers to consider use of bonds for a small part of the investment portfolio.

5. No date was set for a future meeting and the meeting ended at 11.45am.