

Amendments to 2015-16 Treasury Management Strategy Statement

Paragraph 14.

The Council may invest its surplus funds with any of the counterparties in table 4 below, subject to the cash limits (per counterparty) and time limits shown.

Sector Limits/ Credit Rating	Banks Unsecured ¹ £20m	Banks Secured ¹ Unlimited	Government Unlimited	Corporates £10m
UK Govt	n/a	n/a	£ Unlimited 15 5 years	n/a
AAA	£2.5m 5 years	£5m 10 5 years	£5m 10 5 years	£2.5m 10 5 years
AA+	£2.5m 5 years	£5m 7 5 years	£5m 7 5 years	£2.5m 7 5 years
AA	£2.5m 4 years	£5m 5 4 years	£5m 5 4 years	£2.5m 5 4 years
AA-	£2.5m 3 years	£5m 4 3 years	£5m 4 3 years	£2.5m 4 3 years
A+	£2.5m 2 years	£5m 3 2 years	£2.5m 3 2 years	£2.5m 3 2 years
A	£2.5m 13 months	£5m 2 years 13 months	£2.5m 2 years 13 months	£2.5m 2 years 13 months
A-	£2.5m 6 months	£5m 13 months	£2.5m 13 months	£2.5m 13 months
BBB+	£1m 100 days	£2.5m 6 months	n/a	£1m 6 months
BBB or BBB-	£1m next day only	£2.5m 100 days	n/a	n/a
None	£1m 6 3 months	n/a	N/A £5m 10 years	n/a
Money Market Funds Pooled Funds	£5m per <u>money market</u> fund <u>and a maximum £10m in the Property Fund</u>			

This table must be read in conjunction with the detailed notes within the approved strategy and the limits stated in Table 6 (as amended below).

¹ Note: The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Delete Paragraph 21

Money Market Funds: These funds are pooled investment vehicles consisting of money market deposits and similar instruments. They have the advantage of providing wide diversification of

investment risks, coupled with the services of a professional fund manager. Fees of between 0.10% and 0.20% per annum are deducted from the interest paid to the Council. Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts.

Insert new Paragraph 21a & 21 b

21 a. Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee which can range between 0.10% and 0.20% per annum are deducted from the interest paid to the Council. Short-term Money Market Funds that offer same-day liquidity and very low volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

21 b. Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into further asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Paragraph 27

Non-specified Investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to medium and long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 5 below.

Table 5: Non-Specified Investment Limits

	Cash limit
Total medium and long-term investments	£25m_45m
Total investments without credit ratings or rated below <u>A-</u> <u>BBB-</u>	£10m
Total Limit on non-specified investments	£35m_25m

Paragraph 31

Use of Specified and Non-Specified Investments

The selection of specified and non-specified investments will be undertaken by the Head of Finance and Governance Services who will keep the making of such investments under continuous review in the light of risk, liquidity and return and the framework set out in this Strategy. A schedule will be included in the Council's TMP's for staff and circulated to members as a background paper to the strategy and when/if it is updated during the year. **Investment Limits:** The Authority's uncommitted revenue reserves available to cover investment losses are forecast to be £18.4 million on 31st March 2015. These uncommitted reserves include the following items; General Fund

Appendix 5

Balance £5m, Revenue Support £1.3m, New Homes Bonus £4.7m and currently £7.4m uncommitted resources as stated in the Resources Statement reported to Cabinet in February 2015. In order that no more than 27% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5 million. A group of banks under the same ownership or a group of funds under the same management will be treated as a single organisation for limit purposes. Limits will also be placed on investments in brokers' nominee accounts, foreign countries and industry sectors as below:

Table 6: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£5m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£5m per group
<u>Any group of pooled funds under the same management</u>	<u>£10m per manager</u>
Negotiable instruments held in a broker's nominee account	£10m per broker with Max of £5m in covered bonds
Foreign countries	£5m per country
Unsecured investments with Building Societies	£5m in total
Money Market Funds	£10m in total

Paragraph 33

Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

- e. **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

Table 9: Principal Sums Invested for Periods Longer than 364 days

	2015/16	2016/17	2017/18
Limit on principal invested beyond year end	£25 m £15 m	£20m £9m	£15m £6m

Table 9 sets out the upper limit for each forward financial year period for the maturing of investments for periods longer than 364 days up to their final maturities beyond the end of the financial period. The limit for 2015-16 equals the total medium and long term investment limit stated in table 5. The next two financial year limits are smaller, effectively limiting the investments that can be made for longer than 2 years and 3 years. In essence this reflects a potential maturity pattern of the medium and long term debt, in that £6m should mature in 2016-17, and another £3m in 2017-18. The remaining balance would mature beyond 2017-18, but no longer than 2019/20.