

Audit and Governance Committee Report

11 July 2012

Report of: **Head of Finance**

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To: Audit and Governance Committee

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Wards Affected
All

Amendments to the Treasury Management Strategy

Recommendation

That members note the changes to the Treasury Management Strategy

Purpose of report

1. The purpose of this report is to inform the committee of two changes made to the Treasury Management Strategy approved by Council in February.

Strategic objectives

2. To assist the council to manage its business effectively by providing an assurance framework to monitor the overall adequacy and effectiveness of the internal control environment.

Changes to the Treasury Management Strategy

3. Current financial rules provide delegated authority for the Chief Financial Officer to make any executive decision around treasury investments and borrowing. Para 16 of Appendix A of the TMS allows him to vary the counterparty list and report to council these changes.
4. Since the TMS was agreed by Council in February, it has been necessary to make two amendments to the strategy. The reason for these amendments is due to the current financial climate and recent spate of downgradings of banks by the main ratings agencies, there is an increasing difficulty in finding suitable counterparties

for our funds - particularly the medium to longer term investments; this has necessitated a review the counterparty criteria.

a. The first amendment was to increase the limit on Government backed institutions, namely Lloyds Group and RBS from £5 million to £10 million.

b. The second amendment was to re-insert the “Banks 3” paragraph in the ‘eligible institutions’ part of Appendix A. When the Treasury Management Strategy (TMS) for 2012/13 was approved earlier this year the Eligible Institutions (Banks 3) was omitted, possibly due to following the Sector template upon which we base our TMS, as this did not include them either. The recent review of the credit ratings, has meant that our counterparty list is reducing and to not re-insert “Banks 3” would not allow us to use staple partners such as Santander UK and Close Brothers Bank. The following amendment was proposed and agreed by the Chief Financial Officer:

Appendix A Paragraph 19. Insert new sub-para after 'Banks 2' as follows:

- “Banks 3 – Eligible Institutions - the organisation is an Eligible Institution for the HM Treasury Credit Guarantee Scheme initially announced on 13 October 2008, with the necessary short and long term ratings required in Banks 1 above. These institutions have been subject to suitability checks before inclusion, and have access to HM Treasury liquidity if needed.”
- Rename current "Banks 3" to "Banks 4".

5. All investments will continue to be placed with due regard to security, liquidity and yield (in that order).