

Report to the Council



Epping Forest District Council

Committee: Cabinet

Date: 17 February 2015

Subject: Treasury Management Strategy Statement and Investment Strategy 2015/16

Portfolio: Finance (Councillor S. Stavrou)

Recommending:

That the following be adopted:

- (a) the Treasury Management Strategy Statement and Annual Investment Strategy 2015/16 to 2017/18;**
- (b) the Minimum Revenue Provision (MRP) Statement;**
- (c) the Treasury Management Prudential Indicators for 2015/16 to 2017/18;**
- (d) the rate of interest to be applied to any inter-fund balances; and**
- (e) the Treasury Management Policy Statement.**

(Note: At its meeting on 9 February 2015, the Audit and Governance Committee will consider how the risks associated with Treasury Management have been dealt with in the proposed Treasury Management Strategy Statement and Annual Investment Strategy. The Chairman of that Committee will report orally at the Council meeting on any comments or suggestions of that Committee).

Introduction

1. The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management – revised November 2011). There is a requirement for the Council to approve its treasury and investment strategy and prudential indicators each year.
2. The attached strategy has been prepared in line with advice from the Council's treasury advisors, Arlingclose.
3. There are no major changes to the strategy from the current strategy.

Minimum Revenue Provision

4. Each year the Council has to approve its statement on the Minimum Revenue Provision (MRP). The Council has taken on debt of £185.5m and this would normally require the local authority to charge MRP to the General Fund. The Department for Communities and Local Government has produced regulations to mitigate this impact, whereby the Council can ignore the borrowing incurred in relation to the Housing Self-financing when calculating MRP and therefore, (for MRP purposes only) the Council is classed as debt free and does not have to make provision for MRP. However, the Council may undertake additional borrowing before or after additional capital spending. This will require MRP in the year following, 2016/17.

Inter-fund balances

5. The Council has inter-fund borrowed for many years between the General Fund and Housing Revenue Account and the interest charge made between the funds has been based on the average interest earned on investment for the year. As the Council has been undertaking inter-fund borrowing for many years, we are proposing to continue to use the average interest earned for the year on investments as the rate for any inter-fund borrowing.

Policy Statement

6. The Treasury Management Policy Statement is a high level statement setting out how the Council Treasury function will be undertaken. The Policy Statement was last updated as part of the 2014/15 Treasury Strategy and no amendments are proposed at this time.

Current Investments

7. The Council's investments are all denominated in UK sterling and the treasury officers receive regular information from our treasury advisors on the latest position on the use of Counterparties. The latest information supplied is as follows:

UK Banks and building societies:

1. A maximum maturity limit of 12 months is no longer applicable;
2. A maximum maturity limit of 6 months to Lloyds TSB, Bank of Scotland, Santander UK, HSBC, Nationwide Building Society and Standard Chartered;
3. A maximum maturity limit of 100 days applies to Barclays plc;
4. A maximum maturity limit of Overnight applies to RBS and NatWest.

European Banks:

- (a) a maximum maturity limit of 100 days applies to Credit Suisse and ING Bank;
- (b) a maximum maturity limit of 6 months applies to Svenska Handelsbanken, Rabobank, Bank Nederlandse Gemeeten; and
- (c) a maximum maturity limit of 12 months applies is no longer applicable.

Non European Banks:

A maximum maturity limit of 6 months applies to Australian, Canadian, US and other banks that are on our list.

Money Market Funds:

A maximum exposure limit of 10% of the total investment per MMF.

8. The Council currently has an investment portfolio of £63.3m, this will vary from day to day, depending on the cash flow of the authority. A breakdown of this portfolio by Country and length of time remaining on investments are shown in the two tables below.

Country of counterparty	£m
United Kingdom	55.3
Canada and United States of America	0.0
Australia	0.0
Ireland	0.0
Sweden	8.0
Total	63.3

Current maturity profile of investments	£m
Overnight (Call / Money Market Fund)	24.3
Up to 7 days	0.0
7 days to 1 month	10.0
1 month to 3 months	15.0
3 months to 6 months	4.0
6 months to 9 months	5.0
9 months to 1 year	0.0
Greater than 1 year	5.0
Total	63.3

9. The continued low interest rates, the use of fewer counterparties and the shorter durations of investments have reduced estimated interest income for 2014/15 to £400,200.
10. Following our meeting on 2 February 2015, the Audit and Governance Committee were due to consider this matter at its meeting on 9 February 2015 and the Chairman of that Committee will report orally at the Council meeting on the views of the Committee.
11. We recommended as set out at the commencement of this report.