

Audit Committee – 27 March 2014

Supplementary report - Treasury Management Strategy Statement and Investment Strategy 2014/15

Executive Portfolio Holder: Councillor Tim Carroll
Assistant Director Donna Parham, Assistant Director – Finance and Corporate Services
Service Manager Amanda Card, Finance Manager
Lead Officer: Karen Gubbins, Principal Accountant – Exchequer
Contact Details: donna.parham@southsomerset.gov.uk or (01935) 462225

Purpose of the Report

To seek approval from members of a change in the cash limit for money market funds and other pooled funds within the Treasury Management Strategy for 2014/15.

Recommendation(s)

To agree an amendment to the cash limit of 'Money Market Funds and other Pooled Funds' to '£3 million nominal each' as referred to in 5.2 Appendix 1 within the Treasury Management Strategy for 2014/15.

Introduction

The Strategy was approved at the Audit Committee on 27th February 2014. A small amendment is now required to the strategy to ensure it covers the investments SSDC currently has in place.

Amendment to Strategy required

The Strategy that Audit Committee approved had a Cash limit of £2 million each for money market funds and other pooled funds (appendix 1). This has been reduced in order to increase diversity within the portfolio and ultimately reduce risk. In the previous years' strategy this was held at £6 million. When reducing the limits this was incorrectly entered as £2 million and should have been £3 million. This is due to the nature of the investment the holding can fluctuate depending on the individual unit prices. Also SSDC currently holds £3 million in a pooled property fund and it would not be economical to reduce that holding at this time.

Financial Implications

There are no financial costs attached to the approval of this recommendation, however a better return on investment can be achieved.

Background Papers: *Cipfa Treasury Management Code of Practice*
Arlingclose Technical Paper – Revisions to the TM Code and Prudential Code
Treasury Management Practices
Treasury Management Strategy 2014/15

Appendix 1

5.2 The Authority may invest its surplus funds with any of the counterparties in the following table, subject to the cash and time limits shown.

Counterparty	Cash limit	Time limit †
Banks and other organisations and securities whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	AAA	10 years*
	AA+	5 years*
	AA	4 years*
	AA-	3 years*
	A+	2 years
	A	1 year
	A-	
The Authority's current account bank (Natwest) if it fails to meet the above criteria	£0.5m	next day
UK Central Government (irrespective of credit rating)	unlimited	50 years**
UK Local Authorities (irrespective of credit rating)	£4m each	10 years
UK Registered Providers of Social Housing whose lowest published long-term credit rating is A- or higher	£4m each	10 years**
UK Registered Providers of Social Housing whose lowest published long-term credit rating is BBB- or higher and those without credit ratings	£3m each	5 years
UK Building Societies without credit ratings	£1m each	1 year
Money market funds and other pooled funds	£2m each	n/a
Any other organisation, subject to an external credit assessment and specific advice from the Authority's treasury management adviser	£2m each	3 months
	£1m each	1 year
	£100k each	5 years

† the time limit is doubled for investments that are secured on the borrower's assets

* but no longer than 2 years in fixed-term deposits and other illiquid instruments

** but no longer than 5 years in fixed-term deposits and other illiquid instruments