

**AGENDA MANAGEMENT SHEET**

**Name of Committee** Council

**Date of Committee** 15 May 2007

**Report Title** Amendment to Treasury Management Strategy 2007/08

**Summary** This report recommends an amendment to the Treasury Management Strategy for 2007/08.

**For further information please contact:** Phil Triggs  
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**Would the recommended decision be contrary to the Budget and Policy Framework? [please identify relevant plan/budget provision]**

No.

**Background papers**

- Existing Approved Treasury Management Strategy 2007/08

**CONSULTATION ALREADY UNDERTAKEN:-** Details to be specified

- Other Committees  .....
- Local Member(s)
- Other Elected Members  Cllrs Atkinson, Booth, Hicks – for information
- Cabinet Members  Cllr Cockburn – Portfolio Holder
- Chief Executive  .....
- Legal  Tony Maione
- Finance  David Clarke – reporting officer
- Other Chief Officers  .....
- District Councils  .....
- Health Authority  .....

- Police  .....
- Other Bodies/Individuals

**FINAL DECISION Yes**

**SUGGESTED NEXT STEPS:**

Details to be specified

- Further consideration by this Committee  .....
- To Council
- To Cabinet
- To an O & S Committee  .....
- To an Area Committee  .....
- Further Consultation  .....

**Council – 15 May 2007**

**Amendment to Treasury Management Strategy 2007/08**

**Report of the Strategic Director of Resources**

**Recommendation from Cabinet:**

That the Treasury Management Strategy and Investment Strategy for 2007/08 be amended, allowing:

- a) In-house term deposits with banks and building societies with maturities up to a maximum of three years to be allowed;
- b) Inclusion of fixed-term term deposit with variable rates and variable maturities.

**1 Introduction**

- 1.1 The Local Government Act 2003 requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy. This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 1.2 The Council approved the 2007/08 strategy at its meeting on 6 February 2007.
- 1.3 In the strategy, the maximum term for which in-house lending can be undertaken is 364 days. In the light of advice received from the Council's treasury consultant, this is now considered not to be of sufficient length.

**2 Developments since the Approval of the Treasury Management Strategy 2007/08**

- 2.1 On 9 March 2007, Resources Department officers completed a tender process for the appointment of a replacement external cash manager, the decision having been taken to terminate Investec's contract with effect from 30 March 2007. The Investec portfolio of some £37.9m was received back in-house on 30 March 2007.
- 2.2 At the final selection meeting at the offices of the Council's consultant (Sector Treasury Services), the decision was taken to appoint Morley Fund Management (MMF) as the Council's replacement external cash manager. The proposed new investment vehicle is due to be launched by MMF at the end of May 2007.

- 2.3 Sector recommended that the Council invest upwards of £10m in the Morley Fund when it is launched, subject to being satisfied with the regulatory requirements.
- 2.4 In the mean time, Sector recommended that the Council lock into one-year and two-year investments, on the basis that we are considered now to be at the top of the yield curve with future one-year and two-year rates expected to fall over the coming months. Three £5m 364-day investments have already been undertaken. However, the Council's existing strategy currently does not allow investments to be made for longer than 364 days.
- 2.5 Accordingly, Sector recommended that the Council review its non-specified limit to increase maximum lending terms up to three years. This change would allow the Council to invest funds over a longer period at fixed rates of interest in advance of the expected fall in interest rates.
- 2.6 Sector also recommended that the Council include instruments that are covered under the heading of Fixed Term Deposit with Variable Rates and Variable Maturities.

### 3 Amendment to the Annual Investment Strategy

- 3.1 The revised investment instruments are identified below for use in the financial year 2007/08 under the 'Specified' (12 months or less) and 'Non-Specified' (longer than 12 months) Investments categories. Counterparty limits are set through the Council's Treasury Management Procedures.

#### Specified Investments

All such investments will be sterling denominated (£), with maturities up to maximum of one year, meeting the minimum 'high' rating criteria where applicable.

	* Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	--	In-house
Term deposits – Local Authorities	--	In-house
Term deposits – Banks and Building Societies	Short-term F1, Long-term A, Individual B, Support 3	In-house and External Manager
Certificates of deposits issued by banks and building societies	Short-term F1, Long-term A, Individual B, Support 3	External Manager
Money Market Funds	AAA	In-house and External Manager
UK Government Gilts	AAA	External Manager
Gilt Funds and Bond Funds	Long-term A	External Manager
Treasury Bills	--	External Manager

## **Non-Specified Investments**

	<b>* Minimum Credit Criteria</b>	<b>Use</b>
Term deposits: banks and building societies with maturities in excess of one year with a maximum of three years allowed for in-house deposits	Short-term F1, Long-term A, Individual B, Support 3	In-house and External Manager
Fixed Term Deposit with Variable Rates and Variable Maturities	Short-term F1, Long-term A, Individual B, Support 3	In-house and External Manager
Certificates of deposits issued by banks and building societies	Short-term F1, Long-term A, Individual B, Support 3	External Manager
UK Government Gilts with maturities in excess of 1 year	AAA	External Manager

## **4 Recommendation**

That the Treasury Management Strategy and Investment Strategy for 2007/08 be amended, allowing:

- In-house term deposits with banks and building societies with maturities up to a maximum of three years to be allowed;
- Inclusion of fixed-term term deposit with variable rates and variable maturities.

Strategic Director of Resources  
Shire Hall  
April 2007