



## AGENDA ITEM: 13

### SUMMARY

<b>Report for:</b>	<b>Council</b>
<b>Date of meeting:</b>	<b>13 July 2016</b>
<b>PART:</b>	<b>I</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Treasury Management Strategy Update</b>
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources James Deane, Corporate Director (Finance and Operations)
Purpose of report:	The purpose of this report is to recommend an update to the Treasury Management Strategy following the downgrading of the United Kingdom's credit rating.
Recommendations:	It is recommended that paragraph 4.3 of the Treasury Management Strategy is not applied to the United Kingdom.
Corporate objectives:	Corporate Governance
Statutory Officer Comments:	<b>Section 151 Officer</b> This is a S151 Officer report.  <b>Monitoring Officer:</b>  No comments to add to the report.
Consultees:	None
Background papers:	None

#### Background

- At its meeting of 24 February 2016, Council approved the current Treasury Management Strategy as part of the 2016/17 budget setting process.
- Paragraph 4.3 of the approved Treasury Management Strategy (TMS) states the following:  
  
*'The Section 151 Officer will determine approved counterparties from countries with a minimum sovereign credit rating of AAA from Fitch (or equivalent) as appropriate...'*
- Economic uncertainty following the result of the EU Referendum held on 23 June 2016 has led to a downgrading of the UK's credit rating from 'AAA' to 'AA'. This

means that the Council is not compliant with the approved TMS if it continues to place investments in UK-based institutions.

4. Since the banking crisis and the collapse of Icelandic banks, the Council has limited its investments to UK-based institutions, which means there is currently no scope for the Council to place funds outside of the UK.
5. This report has come direct to Council for approval, rather than via Cabinet recommendation, in order to expedite the approval process and ensure that the Council is able to continue placing funds in accordance with an approved TMS.

#### **Amendment to Treasury Management Strategy**

6. The medium- to long-term impact on the economy and the banking industry following the UK's withdrawal from the EU remains uncertain. However, the advice of Capita, the Council's treasury advisers is that in the short-term the UK continues to be a safe place to invest funds.
7. It is recommended that Council approve an interim position, permitting the continued investment of funds in UK institutions, through the inclusion of the following statement within paragraph 4.3 of the TMS, in place of the excerpt in paragraph 2 of this report:

*'The Section 151 Officer will determine approved counterparties within the UK, or from countries with a minimum sovereign credit rating of AAA from Fitch (or equivalent), as appropriate...'*

8. All other counterparty evaluation criteria will remain as currently detailed in the approved TMS.

#### **Next steps**

9. A further update on the economic situation and its implications for the Council's investments will be provided to Cabinet in September 2016 as part of the Treasury Management Outturn report.