

E.103/08 **TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2009/10**

The Executive considered a report which advised of the Council's Treasury Management Strategy and the prudential indicators and limits as detailed within the presented report.

The report stated that the security of investments and the income generated by Treasury Management Activity were vitally important to the Council. Income from investments was estimated to total £930,000 in 2009/10, equivalent to approximately £25 per average Band D Council Tax. The Strategy set out how the Council would approach the task of managing its investment activity in the forthcoming year during what promises to be a very difficult economic period. The Strategy attempted to maximise the income from investments, subject to the overriding management of risks, with risk limitation being more important than investment return.

During discussion, the following points were raised:-

- (a) It was noted that officers were still investigating all aspects of the alternative credit rating advisors. As an assurance, the lead Executive Member informed those present that the advice received from Sector Treasury Services (the appointed treasury advisor to the Council) was paid for by the contract sum only and that there were no other monies exchanged;
- (b) As an indication of the ever changing nature of the financial situation, officers advised that since the agenda report had been published, the long term credit rating of MBNA Europe Bank Ltd had been downgraded from 'AA -' to 'A+' (presented Appendix C refers). As a consequence, it was noted that this bank no longer met the proposed minimum credit rating criteria required for the Council and had been deleted from the lists of Banks/Building Societies which were able to be used by the Council to deposit monies;
- (c) In respect of Appendix B of the presented agenda report, the lead Executive Member proposed an amendment to the circulated list in particular respect of the Council's Clearing Bank – Co-operative Bank plc. To ensure that the Council did not have to breach its own rules in certain circumstances, the Member sought for the credit rating to be installed as 'A', the maximum funds lent to be increased to '£5 million' and for the maximum lending period to be installed as 'overnight'. Although it was unlikely that the £5 million threshold would ever be required, officers advised that in cash flow management terms, this amendment would provide the Council with adequate flexibility. This proposal was subsequently **SECONDED**;
- (d) When considering that a greater spread of monies would minimise the levels of risk, a non-Executive Member questioned whether the proposed maximum limit to invest in any institution of £2.5 million was too high. In response, officers stated that they had considered the proposed limit and had recommended that it be halved from the previous maximum of £5 million. It was noted that a smaller

number of financial institutions who met the Council's credit rating criteria were prepared to accept transactions of £2.5 million. However, officers were confident that this proposal would meet the fine balance between being able to undertake suitable financial transactions and the need to spread potential risk.

RESOLVED

1. That the Treasury Management Strategy Statement and Annual Investment Strategy for 2009/10 be approved; and
2. That quarterly updates on the Treasury Management Strategy be received during 2009/10.