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**Meeting:** Corporate & Customer Services Overview & Scrutiny Committee  
**Date:** 13 December 2010  
**Subject:** Treasury Management Strategy  
**Report of:** Cllr Maurice Jones, Portfolio Holder for People, Finance & Governance  
**Summary:** The report provides a brief summary of the changes to the Treasury Management Strategy.

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**Advising Officer:** Richard Ellis, Director of Customer & Shared Services  
**Contact Officer:** Matt Bowmer, Assistant Director Financial Services  
**Public/Exempt:** Public  
**Wards Affected:** All  
**Function of:** Executive  
**Key Decision** No  
**Reason for urgency/  
exemption from call-in  
(if appropriate)** Not applicable

#### **CORPORATE IMPLICATIONS**

**Council Priorities:**

Not applicable.

**Financial:**

None directly arising from the report.

**Legal:**

Central Bedfordshire's Strategy is in line with the requirements of the Treasury Management in the Public Sector Code of Practice and The Prudential Code for Capital Finance in Local Authorities.

**Risk Management:**

The Strategy requires the consideration of risk in all treasury management undertakings.

**Staffing (including Trades Unions):**

None

**Equalities/Human Rights:**

None

**Community Safety:**

None

**Sustainability:**

None

**RECOMMENDATION(S):**

- 1. That the Corporate & Customer Services Shared Services Overview & Scrutiny Committee considers the report and submits comments to the Executive if considered necessary.**

*Reason for Recommendation(s): To put an effective treasury management framework in place for the Council*

**Introduction**

1. Local authority investments have been placed under greater scrutiny following the failure of the Icelandic Banks. In March 2009 the Audit Commission published their 'Risk and Return' report, the recommendations from which were addressed in the revised Treasury Management in the Public Sector Code of Practice. The Prudential Code for Capital Finance in Local Authorities was also revised in light of the greater risk now evident in investment markets.
2. A Treasury Management Strategy report will be presented to Executive on 11 January 2011. A copy is attached at Appendix 1. A revised Treasury Management Strategy is attached at Appendix A to the report and the Treasury Management Policy is attached for reference at Appendix B. The latter Appendix was revised last year and is subject to review every three years
3. This report summarises the changes to the Treasury Management Strategy as a result of continuous review with our external advisers, Arlingclose.

**Treasury Management Policy**

4. No changes are proposed for the Treasury Management Policy adopted by the Council in February 2010.

## **Treasury Management Strategy**

5. As a consequence of the continued lack of confidence in markets it is appropriate to reduce the limits for individual counterparties and diversify the investment portfolio. However, UK institutions have been recapitalising following the government intervention during the global banking crisis and as a consequence the Council will now look to make investments with counterparties for over 365 days and up to a maximum of two years.
6. As a result of the review of the counterparty list, it is felt that there is sufficient confidence to add the following foreign institutions to the counterparty list. These are ING, Societe Generale and Svenska Handelsbanken. The authority would only lend to these institutions if their credit ratings at that time met the minimum requirements set out in the Strategy.
7. The authority has reviewed the potential sources of borrowing available to it with its advisers, Arlingclose. As a result of this review, it has chosen to extend its borrowing options to include Structured Finance and Medium Term Notes.
8. The Treasury Management Strategy sets out an Authorised Limit of £272M. This represents the maximum level of external borrowing on a gross basis. The Operational Boundary is set at £257M and links directly to the Capital Financing Requirement and estimates of other cashflow needs.

### **Appendices:**

Appendix 1 - 11 January 2011 Executive Report – Treasury Management Strategy

**Background Papers:** (open to public inspection)

None