

TRAFFORD COUNCIL

Report to: Council

Date: 23 July 2019

Report for: Decision

Report of: The Executive Member for Finance and Investment and the Corporate Director of Finance and Systems

Report Title:

Treasury Management – Revision to the Investment Strategy

Summary:

The Council approves the Treasury Management Strategy each year in February and this sets out the strategy to be implemented for its cash investments and borrowing and how all associated risks are managed.

This report provides an update on the treasury investment strategy to:-

- extend the use in pooled investment vehicles to permit funds to be placed in pooled vehicles that have a strong focus on social impact ethical investments.
- allow funds to be placed in a new class of non-specified investments which support and complement the Council's Asset Investment Strategy.

All investments will be undertaken in accordance with the primary power to invest as stipulated in S12 of the Local Government Act 2003 with due regard also being placed on the statutory guidance on local authority investments issued by Ministry of Housing Communities and Local Government (MHCLG) in 2018 which includes that priority consideration is given to security and liquidity.

Recommendation(s)

It is recommended that the Council:-

- a) approve the changes to the Treasury Management Investment Strategy as detailed in the report.

Contact person for access to background papers and further information:

Graeme Bentley, Deputy Director of Finance, Extension: 4336
Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	The investment of surplus cash balances to be undertaken in line with the updated strategy following due regards to legislation, national guidance and key consideration of security and liquidity.
Legal Implications:	All investments to be undertaken in accordance with the powers contained within the Local Government Act 2003.
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	Investments will be made in sustainable assets where resources permit
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	The monitoring and control of risk underpins all treasury management activities. A full assessment of the risks will be considered by the treasury management team, supported by external professional advice.
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

Other Options

Not including the proposed investment categories to the Council’s investment strategy will limit the investment portfolio and mean it is not permitted to invest in such institutions.

Consultation

Not Applicable

Reasons for Recommendation

To allow surplus cash to be placed in a broader range of both specified and non specified investments which will improve the mix of treasury management counterparties and assets and enhance security and liquidity.

Finance Officer ClearanceGB.....

Legal Officer ClearanceJL.....

G. Bentley

CORPORATE DIRECTOR’S SIGNATURE

BACKGROUND

1. The treasury management function aims to optimise the financial liquidity of the Council and ensure that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet service activity with any temporary surplus monies being invested in low risk institutions. The function is tightly governed by statutory legislation (Local Government Act 2003), guidance on local authority investments issued by MHCLG and the prudential code issued by Chartered Institute of Public Finance and Accountancy (CIPFA).
2. Each year the Council approves both a treasury management debt and investment strategy, in accordance with these statutory regulations and guidance, which governs the operation of the in-house treasury management team. This treasury management investment strategy is separate to the Council's Asset Investment Strategy which is primarily focussed on the acquisition of new commercial property.
3. This report provides an update to the treasury investment strategy approved in February 2019.

PROPOSED CHANGE

4. The current investment strategy includes two different categorises of investments which are permitted to use, subject to specific financial limits and durations based on the credit ratings of the counterparty:-
 - **Specified investments** are both high security and liquidity investments with a maturity of no more than a year or those which could be for a longer period but where the Council has the right to be repaid within one year if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. All investments can be held under this definition,
 - **Non-specified investments** are any other type of investment not defined as specified above. A maximum of £90m is permitted to be held in this classification.
5. It is proposed to create a further two categories of non-specified investment:-
 - **Pooled Investment Vehicles** with a strong focus on social impact ethical investments. This will allow the Council to generate returns from such funds whilst supporting investment in areas such as green technology and those which reduce carbon emissions. **Maximum investment £5m; Maximum duration 10 years.**
 - **Investments which support the Council's Asset Investment Strategy** but where external borrowing to support the investment would not be in accordance with the Cipfa Prudential Code. This amendment to non-specified investments is in recognition of recent draft guidance received from CIPFA on the Prudential Code which places a restriction on borrowing from the Public Works Loan Board (PWLB) for assets or provision of debt finance where the primary motive is investment return, rather than regeneration. Decisions on specific investments financed from the Asset

Investment Fund are delegated to the Investment Management Board and it would seem appropriate to delegate authority to this Board for decision to make these classes of treasury management investment, using the Council's cash balances. Similar levels of due diligence will be undertaken before all such investments with detailed consideration of the security of the investment and the liquidity impact this will have on the Council. All such investments will be monitored over their duration to ensure adequate protection against risk is maintained. **Maximum investment £25m; Maximum duration 5 years.**

6. The objective of broadening the scope of the current strategy is to allow investment in secure funds which support investment in socially responsible assets or which complement and support the Council's Asset Investment Strategy.