

MINUTE EXTRACT SCRUTINY PANEL 10 NOVEMBER

33. Treasury Management Strategy Statement – Mid-Year Review Report 2015/16

Steve Heath, Finance Manager, introduced the Treasury Management Strategy Statement mid-year review report. The Scrutiny Panel is requested to consider the activity for the first six months of 2015/16 and to note the expected impact of the proposed changes to the Treasury Management Strategy Statement (TMSS) before being forwarded to Cabinet for approval.

Steve Heath outlined that the report is the first review since the strategy was approved at the February Full Council meeting. As part of the review there are three proposed changes; the first is to amend the minimum sovereign credit rating from AAA to AA-. This is due to the financial markets and counterparties having changed markedly since the financial crisis, and the ratings agencies having changed their methodologies in an effort to remove any adjustment based upon implied sovereign support.

The second change is to recharge borrowing costs from the Housing Investment Programme to the Housing Revenue Account. This is due to the Council having adopted a policy of internal borrowing, avoiding the use of external borrowing.

The final alteration is a change in the maturity structure of borrowing, which will amend the upper limits of the structure to reflect that the Council's Lender Option Borrower Option Loans are now all classed as short-term debt.

Steve Heath stated that the Council has not deviated from Annual Strategy Statement during the year, investments have occurred within the approved limits and the performance has been at the benchmark. Steve Heath also stated that the forecast for an increase in investment rates has slipped from the end of 2015 to mid-2016.

Councillor Harrington questioned the reasoning behind the change of the sovereign limits, and whether this would expose the Council to more risk. Steve Heath stated that the AA- rating is still a high rating and is in keeping with the Treasury Advisors advice. The previous AAA rating limitation was very risk averse; changing the rating will provide more diversity rather than increasing the level of risk. Colchester Borough Council is still not investing in the Eurozone due to the higher risk.

The Panel commented on the change of sovereign limits and whether the Council had an ethical investment policy considering the additional countries that CBC could now invest in. Steve Heath stated that an ethical investment policy is not something that currently exists in the Treasury Management Strategy Statement; however there may be something that can be factored in

to the existing strategy. Steve Heath stated that he would seek advice from the Treasury Advisor.

RESOLVED that:

- (a) Given the proposed change to sovereign limits the Scrutiny Panel request that the Finance Manager seeks advice from Colchester Borough Council's Treasury Advisors regarding ethical investment and report back to the Scrutiny Panel.
- (b) The Treasury Management activity for the first six months of 2015/16 be noted.

34. Treasury Management Strategy Statement – Mid-Year Review Report 2015/16 – Appendix B

The Panel resolved under Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for this item as it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

The Scrutiny Panel discussed the contents of the Appendix, and queried the definitions of the information provided.