

### TREASURY MANAGEMENT STRATEGY 2013/14

#### 1.0 Objectives

The main objectives of Treasury Management are:-

- a) Borrowing
  - To effect funding in any one year at the cheapest rate commensurate with future risk.
  - To forecast average future interest rates and borrowing accordingly.
  - To monitor and review the level of variable interest rate loans in order to take greater advantage of interest rate movements.
- b) Investment
  - To maximise the return on investments while maintaining capital security.
- c) Cash Flow
  - To either borrow on a temporary basis to cover shortfalls in funds or make temporary investments in order to manage the Council's cash flow in the most cost effective way.
  - To maintain minimum balances with the Council's bankers.

#### 2.0 Sources of Financing

The following list specifies which borrowing instruments can be adopted:-

- Market – Long Term - Loans available through the London Money Market.
- Market – Temporary (up to 364 days) – Loans available through the London Money Markets.
- Public Works Loans Board – the low risk source of longer term borrowing for the Council.
- Overdraft - Redditch Borough Council has an overdraft limit of £1million with Lloyds TSB Bank plc.
- Internal (Capital receipts and revenue balances) - including "set aside" capital receipts earmarked to repay debt used as a substitute for new borrowing.
- Leasing.

## 3.0 Borrowing Limits

The prudential indicator for the Authorised Limit for external debt for the current year is the statutory limit determined under section 3(1) of the Local Government Act 2003: "A local authority shall determine and keep under review how much money it can afford to borrow."

## 4.0 Interest Rate Exposure

The Council will set for the forthcoming financial year and following two financial years upper limits to its exposures to the effects of changes in interest rates. These indicators will relate to both fixed interest rates and variable interest rates.

## **Annual Investment Strategy - 2013/14**

### Introduction

5.0 Guidance issued under section 15 (1) (a) of the Local Government Act 2003 requires the Council to approve an Annual Investment Strategy before the start of the financial year.

### 6.0 Objective

6.1. The objective of the Council's Investment Strategy is to prudently invest all surplus funds held on behalf of the authority. Priority will be given to security and liquidity but at the same time maximising yield.

6.2 The Council will not borrow funds to invest.

### 7.0 Types of Investments

7.1 The investments which the Council are able to use are categorised as 'Specified Investments' and 'Non-Specified' Investments. Specified Investments offer high security and high liquidity. They must be in sterling and have a maturity of less than a year. The Strategy is for the Council to restrict its investment activity to specified investments.

### 7.2 Specified Investments

All short-term investments arising from the management of the Council's cash flow shall be invested with:

- the major British clearing banks, National Westminster, Lloyds TSB, HSBC and Barclays, also Coutts and Company, the wholly owned subsidiary of National Westminster,

- building societies and building society conversions that are F1 or F1+ credit rated for short-term lending'
- all other local authorities (non-capped)
- other public bodies such as universities
- 'AAA' rated Money Market Funds.

The maximum amount placed with any single institution will be £2.5 million.

## 8.0 Credit ratings

The Council's requirements in terms of credit ratings of lending parties are notified to the broker's. The Council principally relies on the credit ratings published by Fitch Ratings, to establish the credit quality of counterparties. Where counterparty does not have a Fitch rating, the equivalent Moody's rating will be used.

## 9.0 External Fund Management

The Council has withdrawn from the use of external fund managers. Investments made or committed by the Council's fund managers have been returned to the Council and are now invested in-house. No new investments will be placed by external fund managers.

The agreement with the remaining External Fund Manager was terminated in August 2007.

## 10.0 Reporting Arrangements

- 10.1 The Head of Finance and Resources will report on the prudential indicators as set out in CIPFA's Prudential Code for the coming year to the Council, at or before the start of the financial year and on the Treasury Management Strategy (including the Annual Investment Strategy) it is proposed to adopt for the forthcoming year.