

Appendices: 1



NORTHAMPTON
BOROUGH COUNCIL

COUNCIL

5 November 2018

Agenda Status: Public

Service Area: Finance

Report Title	Amendment to Treasury Management Strategy
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1. Purpose

- 1.1 To accept recommendations made by Audit Committee on 3rd September 2018 to make an amendment to the NBC Treasury Management Strategy.

2. Recommendations

- 2.1 That Council approves the following recommendations made by Audit Committee on 3rd September 2018 and amends the Northampton Borough Council Treasury Management Strategy 2018-19 as follows:
- a) approves the use of indirect property funds to achieve a greater income yield for treasury funds; and
 - b) approves the investment of up to £8.000M, in one or more indirect property funds and delegates power to the Section 151 Officer, after consultation with the Cabinet Member for Finance, and after receipt of advice from Linked Asset Services (the Council's external treasury Management Advisors) with due regard to security and liquidity to approve such investments subject to the limitation that funds to be invested in would be restricted to those that are already utilised by one or more other Local Authorities and are offering in excess of 4% return/yield at the time that the investment is placed.

3. Issues and Choices

3.1 Report Background

- 3.1.1 Northampton Borough Council holds cash funds for various reasons, from reserves, provisions, collection funds etc within its Treasury Service. Some of this is invested over a longer term and some retained for liquidity. At present the interest rate on these funds tends to be less than 0.5%.
- 3.1.2 The recommended amendment to the Treasury Management Strategy would enable Northampton Borough Council to utilise other cash investment vehicles, recognising that cash is a resource and so can provide additional income funds. These are investment approaches used by many councils and would not cause concern for Auditors provided appropriate due diligence has been conducted. LGSS Treasury Management Services supported by the external advisors, Link Asset Management Services are considered professional investors for the purpose of this investment, the CFO has also been confirmed as qualified to make such judgements.
- 3.1.3 The recommended maximum value of £8M has been arrived at in conjunction with our Treasury Management Advisors as an appropriate level for a Council of this size and the general liquidity and flow of funds. This investment remains fully liquid, however costs will be incurred if the principle sum is withdrawn in less than three years. The Council is required to hold a General Fund Reserve of £4M as a minimum and regularly holds funds flowing through for Council Tax, Business Rates and Section 106. This will not impact on the ability of the Council to access funds for services.

3.1 Decision details

- 3.2.1 Council are asked to approve this change to Treasury Management Strategy, however the choices are:
 - a) Do nothing – This reduces the opportunity to create new income for the Council and may lead to greater budget cuts in future years.
 - b) Approve the Recommendation – This would provide the opportunity to create additional income of in excess of £300,000 through just the Property Fund Investment route.
 - c) Amend the Recommendation – Council may choose to amend the level of investments proposed, to reduce the level would reduce the income opportunity available, to increase the level would increase the income level opportunity available.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 The policy implications are contained in the body of this report and the Audit Committee Report of 3rd September 2018, which is attached to this report as Appendix 1.

- 4.1.2 If the recommendations in this report are accepted, this will amend the Treasury Management Strategy adopted by Northampton Borough Council at its meeting on 26 February 2018

4.2 Resources and Risk

- 4.2.1 All cash investment carries risk in any institution. This is not considered a high risk strategy and is adopted by most councils. It is stated as a risk 2 level of 7 under EU regulations, where 7 is considered high risk. Cash placed on deposit in UK banks are covered by the FSCS guarantee, where the FSCS would pay compensation up to the limit of £85,000 per person/entity, per authorised bank or building society.
- 4.2.2 The key risk to the Council is seeking to withdraw the principle funds earlier than three years and so suffering costs. As this is an investment fund there is risk that unit trust values could fall.
- 4.2.3 Best practice for Treasury Management Policy is provided by CIPFA through its Treasury Management in the Public Services Code 2011. The CIPFA Guidance has been accessed through LGSS Treasury Advisors, who provide Treasury Management advice to Milton Keynes Council who already access the CCLA investment fund (an indirect property fund).

4.3 Legal

- 4.3.1 The Local Government Act 2003, Section 12 enables Councils to invest “Power to invest - A local authority may invest— (a) for any purpose relevant to its functions under any enactment, or (b) for the purposes of the prudent management of its financial affairs.”. Section 15 requires the Council to have “due regard to (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify for the purposes of this provision.”
- 4.3.2 Under International Accounting Standard 39 and the current CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, a local authority’s holding in the CCLA Fund will be accounted for as an Available for Sale financial asset.
- 4.3.3 The acquisition of share capital in a body corporate, including units in unregulated collective investment schemes, normally counts as capital expenditure under section 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended). However, as a scheme approved by HM Treasury under section 11(1) of the Trustee Investments Act 1961, and in accordance with section 25(3) (d) of the regulations, the purchase of units in the CCLA Fund does not count as capital expenditure in England.

4.4 Equality

- 4.4.1 No Impact

4.5 Other Implications

4.5.1 None

5. Background Papers

5.1 Council – Treasury Management Strategy Appendix 5 26 February 2018
[Council Feb 2018 - Treasury Management Strategy](#)

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