

**TREASURY MANAGEMENT STRATEGY AMENDMENT**  
**REPORT OF THE DEPUTY CHIEF EXECUTIVE (CORPORATE**  
**DIRECTION)**  
**WARDS AFFECTED: ALL WARDS**

**1. PURPOSE OF REPORT**

- 1.1 To request a revision to the Council's Treasury Management Strategy to take into account receipt of Regional Growth Funding.

**2. RECOMMENDATIONS**

- 2.1 That Council approves an amendment to the Treasury Management policy to allow up to £12million of Regional Growth Funding to be held with the Council's own bank for a maximum of 3 months.

**3. BACKGROUND**

- 3.1 The Council's Treasury Management Strategy for 2012/13 was approved by Council on 23<sup>rd</sup> February 2012 and endorsed by the Finance and Audit Select Committee on 11<sup>th</sup> June 2012.
- 3.2 The Treasury Management Strategy contains time and monetary limits for investment of the Council's funds in order to maximise liquidity, security and yield. The time and monetary limit for investment depends on the category of the investment institution as follows:

	<b>Fitch (or equivalent)</b>	<b>Money Limit</b>	<b>Time Limit</b>
Limit 1 Category	AAA	£5m	3yrs
Limit 2 Category	AA	£5m	3yrs
Limit 3 Category	A	£3m	2yrs
Other Institution Limits	-	£2m	1yr
Guaranteed Organisations	-	£2m	6mths

Though the time limit of all investments is 6months+, the Council has locally decided to limit all new investments to 1 month.

- 3.3 Per the offer letter issued by the Department of Communities and Local Government this Council will receive Regional Growth Funding to provide enhanced highway capacity on the A5 and enabling infrastructure works adjacent to the MIRA Enterprise Zone. The full grant award (£19,474,000), will be "drawn down" by the Council from the DCLG on a quarterly basis and will be paid over to the key partners (MIRA, HBBC and the Highways Agency) to enable completion of the project.
- 3.4 Throughout the period of the project, the Council is required to "draw down" funds a quarter in advance. All funds must be held in a separately earmarked account. The grant offer letter states that interest may be earned on the held funds, however this cannot be retained by the Council but rather must be used for the purpose of the project.

- 3.5 In order to facilitate the drawn down and payment of the grant funding, an earmarked current account has been opened with the Council's bankers: HSBC Bank plc. In addition, options for investment of any surplus cash are being investigated with HSBC. It is expected a deposit account with HSBC Plc will be opened as the Council must retain access to the funds to ensure payment of partners.
- 3.6 The Council's current counterparty list provided by Sector (Treasury Management advisors), indicates that HSBC Bank plc is a "Limit 3" bank and therefore the Council may invest £3million for a maximum of 2 years with the institution. Based on the cash flow projections for RGF project, the Council will draw down up to £11,683,379 from the DCLG during the project life.
- 3.7 On the basis of the above, it is requested that an amendment to the Treasury Management Policy is approved to allow up to £12million to be held with HSBC Bank plc for up to 3 months (1 quarter). This amendment will **only** relate to RGF funds.
- 3.8 The Council receives updates on a daily basis from Sector and the financial stability of HSBC Bank plc will continue to be monitored. Any concerns raised by our advisors will be brought to the attention of Council and further amendments made to the policy as required.

#### **4 FINANCIAL IMPLICATIONS (KB)**

- 4.1 Contained within the body of the report

#### **5 LEGAL IMPLICATIONS (AB)**

- 5.1 The agreement with the Highways Agency to allow works to the A5 requires that HBBC hold sufficient RGF funding in a separate account dedicated to the project. The approval of the change to the Treasury Management policy will allow the Council to meet this commitment

#### **6 CORPORATE PLAN IMPLICATIONS**

The Council's financial standing is maintained and the finances remain healthy over the period of the plan

#### **7 RISK IMPLICATIONS**

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision/project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report/decision were identified from this assessment:

<b>Management of Significant (Net Red) Risks</b>		
<b>Risk Description</b>	<b>Mitigating Actions</b>	<b>Owner</b>
S.33 - MIRA RGF Fund	The draw down of funds for the RGF will only occur following the sign off of a correctly constituted Heads of Terms and associated agreements,	Bill Cullen

**8. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

There are none.

**9. CORPORATE IMPLICATIONS**

By submitting this report the author has taken the following into account:-

- Community Safety Implications
- Environmental Implications
- ICT Implications
- Asset Management Implications
- Human Resources Implications

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Background Papers: Treasury Management Policy  
RGF Offer Letter

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