

By: Financial Advisor to The Committee

To: Kent and Essex inshore Fisheries and Conservation Authority- 14th
May 2013

Subject: **TREASURY MANAGEMENT STRATEGY**

Classification: Unrestricted

File Ref: BG/IFCA/Treasury13/14

Summary: Treasury Management Strategy for 2013-14

1. Introduction

1. Under financial regulations the financial advisor is responsible for reporting to the Authority a treasury management strategy and updating such a report on a yearly basis, usually as part of the budget setting process/ medium term plan. This report sets out the treasury management strategy.
2. Local authority's treasury activities, both borrowing and investment, are strictly regulated by statutory requirements and the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-sectoral guidance notes. A fundamental requirement of the regulations and guidance notes is the formulation of an annual Treasury Management Strategy. Such a strategy should include:
 - Borrowing and investment projections
 - The expected movement in interest rates
 - Borrowing and investment strategies
 - Treasury management performance indicators
3. The Kent and Essex Inshore Fisheries and Conservation Authority has no borrowing, nor will it have in the foreseeable future, and only has positive cash balances. At present the Authority has £150,000 invested with Lloyds on terms of two years and £250,000 invested with Lloyds on terms of 18 months with the balance invested, via Kent County Council, in the equivalent of seven day money at a rate tied to LIBOR (London Inter-Bank Offered Rate).

2. Current Strategy

1. The strategy that had previously been agreed was that investments be restricted to a very narrow range of investments which met the following criteria:-

- The UK government and other local authorities
- Financial institutions nationalised by the UK government
- UK based bank and building societies that have credit ratings equivalent or better than the following

Rating category	Credit Rating Agencies		
	Fitch	Standard and Poor	Moody's
Short term rating	F1	A-1	P-1
Long term rating	A	A	A2
Individual / financial strength rating	B		C
Support rating	3		

- Where counterparties were rated by more than one credit rating agency, the lowest rating will be used to determine whether or not it is included on the counterparty list

3. Current Position

1. Advisors to Kent County Council have indicated that a minimum long term rating of A- for UK banks should be the criterion for including banks on the counterparty list. This is lower than the previous recommendation in paragraph 2.1 above and is in response to downgrades in credit ratings to many institutions considered to be systematically important to the financial system.

2. Applying the A- rating to UK banks would give a counterparty list of:-

- Barclays
- HSBC
- Santander UK
- Lloyds TSB
- National Westminster
- Nationwide
- Royal Bank of Scotland
- Standard Chartered

Whilst all of these banks would be available to KEIFCA, Standard Chartered will not take local authority deposits and the Committee decided at the May 2012 meeting that Santander UK would not be included.

3. In addition to UK banks there are 9 overseas banks which would meet the criteria (5 Canadian, 3 Australian and 1 US bank) but it is recommended that these are not included in the counterparty list

4. Recommendation

1. It is proposed that Members approve the change in the strategy as set out in paragraph 3.2 and 3.3 as above.

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