

Committee:	Date:
Financial Investment Board	4 February 2016
Subject: Treasury Management Strategy Statement and Annual Investment Strategy 2016/17	Public
Report of: The Chamberlain	For Decision
Report author: Kate Limna, Chamberlain's Department	

Summary

The attached document sets out the City's Treasury Management Strategy Statement and Annual Investment Strategy for 2016/17. The document includes the various Prudential Indicators required to be set for the City Fund to ensure that the City's capital investment plans are affordable, prudent and sustainable. The main proposals within the document are incorporated within the separate report entitled "City Fund - 2016 Budget Report" being considered by the Finance Committee on 16 February 2016.

The only change to the Treasury Strategy for 2015/16 is the increase in the maximum investment loans with maturity in excess of one year from £200m to £300m due to the increase in the City's overall cash holdings and the change to the Crossrail payment date (section 7.7).

The key areas to highlight are:

- As at 31 December 2015, the City had cash balances totalling some £882.3m. The majority of the balances are held for payment to third parties or are restricted reserves. Some £200m is being held as part of the City's contribution to Crossrail and a potential property purchase. The contribution to Crossrail was originally due to be paid in March 2016 but this has been pushed back to March 2017 (section 3).
- Changes to credit methodology used by the main rating agencies (Fitch, Moody's and Standard & Poor's) including the removal of "uplifts" that came from sovereign support and a wider reassessment of methodologies which includes, taking account of additional factors such as regulatory capital levels (section 7.1).
- In assessing the creditworthiness of prospective counterparties the City uses a risk weighted scoring system rather than just using the lowest rating from the credit rating agencies (section 7.3) This is unchanged from previous years.
- It is proposed that the City continues to be prepared to lend monies for up to three years' duration based on risk assessments for each opportunity undertaken by Treasury Officers and discussed with the Chamberlain. As the

current returns on deposits for 2 and 3 years are considered insufficient, no new long term deposits have been made (sections 7.6 & 7.7).

The main changes to the document from last year's version are highlighted.

Recommendation

It is recommended that the Financial Investment Board reviews and approves the attached Treasury Management Strategy Statement and Annual Investment Strategy for 2016/17, and submits it to the Court for formal adoption.

Appendices

- Treasury Management Strategy Statement and Annual Investment Strategy 2016/17

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