

AUDIT COMMITTEE**28 September 2017****Minute Extract****182. TREASURY MANAGEMENT MID-YEAR REVIEW**

(Report AUD197 refers)

The Committee considered Section 13 of the report relating to Markets in Financial Instruments Directive (MiFID II).

The Corporate Director (Professional Services) and Andrew Bouflower (Hampshire County Council's Deputy Investments and borrowing Manager) clarified that the Council was presently classified as professional client status. It was an option under MiFID II that it could be treated as a retail client from January 2018, and this would become the default position unless the Council "opted up" to professional status. A result of being a retail client would be a shift in the Council's Treasury Management Strategy and to remain as a professional client would mean that the Council's risks would remain as at present.

In reply to a question by Councillor Ashton, the Corporate Director (Professional Services) explained that the annual checks to the Audit Committee would continue as the Treasury Management Strategy would be brought to this Committee and Council and in addition CIPFA were considering council investments as part of its general work stream.

In conclusion, the Committee supported the recommendation to Council to remain as a professional client

The Corporate Director (Professional Services) then introduced the section of the report on the mid-year annual report on Treasury Management. The Committee welcomed the increased yields that were been achieved following the changes to the Treasury Management Strategy to invest in medium and longer term investments.

The Committee proceeded to consider Section 18 of the Report and the proposed changes to the 2017/18 Treasury Management Strategy.

In answer to Members' questions on the changes to the 2017/18 Treasury Management Strategy, the Corporate Director (Professional Services) stated that risks that might result through possible future changes in Finance Services Team staff would be mitigated by the advice and support provided by the Hampshire County Council's Treasury Management Team and the Council's Treasury Management Advisers - Arlingclose. The Council had also a competent, pro-active Financial Services Team.

The Committee debated the membership of the proposed Treasury Investment Group (TIG) as set out on page 12 of the Report.

Councillor Ashton stated that the establishment of this Group would provide the necessary checks and balances between officers and Members when making investment decisions in accordance with the Treasury Management Strategy.

A number of Members commented that it would be advisable if the Section 151 Officer, who was the final decision maker when making an investment (after exercising due diligence), was not a member of the TIG. Following debate it was agreed that this be recommended to Council.

Further, it was also agreed to recommend to Council that the TIG have additional representation of one further Member from the Administration of the Council who sat on the Audit Committee.

It was recognised that it might not always be possible to consult with all five Members of the TIG when the Council was required to be flexible and agile to make an investment decision, and after further debate it was recommended to Council that at a minimum three members, including the Portfolio Holder for Finance, the Chair of the Audit Committee, the Finance Manager (Capital and Treasury) and one further member from the TIG be consulted with when making an investment decision.

RECOMMENDED:

1. THAT THE POTENTIAL IMPACT ON THE INVESTMENT STRATEGY OF DEFAULTING TO A RETAIL CLIENT WITH EFFECT FROM 3 JANUARY 2018 BE NOTED;

2. THAT COUNCIL AGREES TO THE IMMEDIATE COMMENCEMENT OF APPLICATIONS FOR ELECTED PROFESSIONAL CLIENT STATUS WITH ALL RELEVANT INSTITUTIONS IN ORDER TO ENSURE IT CAN CONTINUE TO IMPLEMENT AN EFFECTIVE INVESTMENT STRATEGY; AND

3. THAT, IN ELECTING FOR PROFESSIONAL CLIENT STATUS, IT ACKNOWLEDGES AND AGREES TO FORGO THE PROTECTIONS AVAILABLE TO RETAIL CLIENTS ATTACHED AT APPENDIX 1 TO THE REPORT; AND THAT IT APPROVES DELEGATED RESPONSIBILITY TO THE SECTION 151 OFFICER FOR THE PURPOSES OF COMPLETING THE APPLICATIONS AND DETERMINING THE BASIS OF THE APPLICATION AS EITHER FULL OR SINGLE SERVICE.

4. THAT SUBJECT TO THE CHANGE TO THE FOLLOWING MEMBERSHIP OF THE TREASURY MANAGEMENT GROUP, THE CHANGES TO THE 2017/18 TREASURY MANAGEMENT STRATEGY, AS DETAILED IN SECTION 18 OF THE REPORT, BE APPROVED.

**4.1 THE TREASURY INVESTMENT GROUP (TIG) SHOULD INCLUDE THE FOLLOWING OFFICER AND MEMBER ROLES:
FINANCE MANAGER (CAPITAL AND TREASURY)**

PORTFOLIO HOLDER (FINANCE)

ONE OTHER CABINET MEMBER

CHAIR OF THE AUDIT COMMITTEE

**ONE OTHER MEMBER FROM THE ADMINISTRATION OF THE COUNCIL
FROM THE AUDIT COMMITTEE**

SHADOW PORTFOLIO HOLDER

(THE SECTION 151 OFFICER, AS FINAL DECISION MAKER, WOULD NOT BE A MEMBER OF THE TIG).

4.2 THAT AT A MINIMUM THREE MEMBERS, INCLUDING THE PORTFOLIO HOLDER FOR FINANCE, THE CHAIR OF THE AUDIT COMMITTEE, THE FINANCE MANAGER AND ONE FURTHER MEMBER FROM THE TIG, BE CONSULTED WITH WHEN MAKING AN INVESTMENT DECISION.

RESOLVED:

That the Treasury Management Mid-Year Monitoring Report for 2017/18 be approved.