

**REPORT TO:** CABINET

**DATE:** 29 JANUARY 2015

**TITLE:** TREASURY MANAGEMENT STRATEGY STATEMENT 2015/16

**PORTFOLIO HOLDER:** COUNCILLOR MIKE DANVERS

**LEAD OFFICER:** SIMON FREEMAN, HEAD OF FINANCE (01279) 446228

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**This is a Key Decision**

**It is on the Forward Plan as Decision number I003561**

**This decision is not subject to Call-in procedures for the following reasons:**

**This is a decision reserved for Council.**

**This decision will affect no ward specifically.**

**RECOMMENDED** that Cabinet recommends to Full Council that the proposed revised Treasury Management Strategy Statement 2015/16 (attached as Appendix A) be approved for implementation with immediate effect, including specifically:

- i. The Prudential Indicators (set out in Annex C of the Statement).
- ii. The Treasury Management Indicators (set out in paragraphs 60 to 62 of the Statement).
- iii. The approved counterparty methodology (set out in paragraphs 38 to 50 and Annex E of the Statement).
- iv. The Minimum Revenue Provision Statement (Annex D of the Statement).
- v. The reporting arrangements (Annex F of the Statement).

**REASON FOR DECISION**

**A** Statutory DCLG Guidance and CIPFA Codes of Practice on Treasury Management and Prudential Borrowing require Councils to determine a Treasury Management Strategy Statement and Prudential (and Treasury Management) Indicators on an annual basis.

**B** The lending list methodology requires regular review by Full Council because

it steers a major risk aspect of the Council's operational investment decisions.

- C** DCLG Regulations have been issued which require the Full Council to approve a Statement of Minimum Revenue Provision in advance of each year.
- D** Treasury management reporting arrangements are an important aspect governed by DCLG guidance and influenced by the CIPFA Code.
- E** The Council is required by DCLG guidance to report on its policy for borrowing in advance of need.
- F** In the same way as E above, the Annual Investment Strategy determines the direction of travel for borrowing in the coming year and reflects the Council's preferred approach to investment and associated risk.

## **BACKGROUND**

1. Treasury management is defined as “the management of the Council's investments and cash flows, its banking, money market and capital market transactions: the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.”
2. The Council has previously recognised and adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (as revised November 2009) – “the CIPFA Code” as the guidance it will follow in the development and management of its treasury management activities.
3. The primary requirements of the CIPFA Code are as follows:
  - (a) Creation and maintenance of a Treasury Management Policy Statement.
  - (b) Creation and maintenance of Treasury Management Practices (TMPs).
  - (c) Receipt by Council of an annual Treasury Management Strategy Statement (TMSS), including the annual Investment Strategy, a Minimum Revenue Provision Policy for the year ahead, and a range of other specific policies,
  - (d) Presentation of a mid-year Review of the Treasury Management Strategy Statement and an Annual Report (stewardship report) to Full Council.
  - (e) Delegation by the Council for responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

- (f) Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For the Council the current TMSS specifies the responsibility for the delegated scrutiny role is delegated to the Cabinet Overview Working Group, as well as to the Audit and Standards Committee as may be required.

## **ISSUES**

- 4. As part of the primary requirements for reporting to Full Council, the annual TMSS has been prepared in compliance with CIPFA's Code of Practice, and is attached as Appendix A of this report.
- 5. Key elements of the Strategy Statement are:
  - (a) The Scheme of Delegation for Treasury Management / reporting arrangements (as set out in Annexes F and G).
  - (b) Borrowing Strategy (paragraphs 25 to 34).
  - (c) Investment Strategy (paragraphs 35 to 57).
  - (d) The Approved Counterparty List and review of Monetary Limits, including country limits (paragraphs 58 and 59, with an example shown in Annex E).
  - (e) Policy of apportioning interest to the HRA (paragraphs 64 and 65).
  - (f) Policy on investment of money in advance of need (paragraphs 69 and 70).
  - (g) The Minimum Revenue Provision Statement for 2014/15 (Annex D).
  - (h) The estimated Prudential Indicators (Annex C).
  - (i) The estimated Treasury Management Indicators (paragraphs 60 to 62).
- 6. This year Councils will be increasingly affected by the new banking bail-in regulations (see paragraphs 7 and 8). This places Councils at greater risk of capital loss from unsecured deposits (such as 'term deposits') should a bank fail or be at risk of failure. As a response the Treasury Management Strategy outlines how the Council's investment portfolio will be diversified two ways: firstly by reducing risk through spreading amounts invested with different counterparties and secondly by seeking to place surplus cash using other, secure, investment products.

## **IMPLICATIONS**

### **Regeneration (includes Sustainability)**

None specific.

Author: **Graeme Bloomer, Head of Regeneration**

### **Finance (Includes ICT)**

The indicative costs associated with borrowing, offset by investment income, are included in the MTFS, Capital and Revenue budgets presented within this agenda. The mid-year review of the TMSS and the annual report on treasury management are both routinely reported to Councillors, including to Full Council as required by DCLG Guidance and the CIPFA Code of Practice; any financial considerations are contained herewith in the accompanying reports.

Author: **Simon Freeman, Head of Finance**

### **Housing**

None specific.

Author: **Andrew Murray, Head of Housing**

### **Community Wellbeing (includes Equalities and Social Inclusion)**

None specific.

Author: **Graham Branchett, Chief Operating Officer**

### **Governance (includes HR)**

None specific.

Author: **Brian Keane, Interim Head of Governance**

### **Background Papers**

The CIPFA Prudential Code for Capital Finance in Local Authorities (revised 2011).

CIPFA's Treasury Management in Public Services Code of Practice (revised 2011).

DCLG's Guidance on Local Government Investments (issued March 2010).

HRA Business Plan 2014-2044.

Capital Programme 2014/15 – 2019/20.

Arlingclose Ltd treasury management advisory documents.

Treasury Management and Accounting records.

### **Glossary of terms/abbreviations used**

See Appendix A, Annex I for glossary of terms.