

Committee: Cabinet

Date: 16 February 2012

Title: Treasury Management Policy, Strategy
and Prudential Indicators

Portfolio Holder: Councillor Robert Chambers

Agenda Item

13ii

Item for
decision

Summary

1. As part of the annual budget setting process, the Council is required to adopt a Treasury Management Strategy. This sets out how the Council will manage its cash flows, and strategies for how the Council will go about temporarily investing funds until they are required, or borrowing funds to meet any short or long term need.
2. The Treasury Management Strategy was reviewed and endorsed by the Scrutiny Committee on 7 February 2012.
3. The Strategy with Cabinet's recommendations will be considered by Full Council on 23 February 2012.

Introduction

4. The CIPFA Code of Practice for Treasury Management in Public Services (the "TM Code") requires the Council to determine its Treasury Management Policy and Strategy for 2012/13 and the following 2 years. However a five year strategy has been prepared to be consistent with the MTFS period.
5. CIPFA revised the TM Code in late 2011 to reflect the impact of the current economic position and changes to the HRA finance regime.
6. The Treasury Management Policy (Appendix A) has been revised to ensure that the Council's high level aims for borrowing and investment are clearly identified. To this end:
 - the Council's Investment Strategy will continue to give priority to security and liquidity of investment capital over yield.
 - the Council's Borrowing Strategy will be prudent and transparent and include:
 - financing capital expenditure from internal balances, foregoing interest income whilst interest rates are at historically low.
 - reappraising the Council's debt portfolio should there be a sharp rise in interest rates.
7. The Treasury Management Strategy and Prudential Indicators are compliant with the revisions to the TM Code.

Recommendations

8. The Cabinet is requested to approve for recommendation to Full Council:

- a) the Treasury Management Policy as set out at Appendix A
- b) the Treasury Management Strategy as set out in Appendix B.
- c) Prudential Indicators as set out in Appendix B.

Background papers

Local Government Act 2003.

Local Authorities (Capital Finance and Accounting) (England) Regulations as amended.

CIPFA Treasury Management Code and Prudential Indicator Guidance (2011 Edition).

CIPFA Guide to Housing Self Financing.

DCLG Investment Guidance

Arlingclose advice

Impact

Communication/Consultation	No specific implications
Community Safety	No specific implications
Equalities	No specific implications
Finance	The financial impact and the associated arrangements for managing risk are included in the body of the report.
Health and safety	No specific implications
Human Rights	No specific implications
Legal implications	The strategy fulfils requirements of the LGA 2003.
Ward-specific impacts	No specific implications
Workforce /Workplace	No specific implications

APPENDIX A

TREASURY MANAGEMENT POLICY STATEMENT

1. Background

Treasury Management activities are defined by CIPFA as:

The management of the Council's investments, borrowing and cashflows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimal performance consistent with those risks.

2. Policies and Objectives of Treasury Management Activities

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury activities will be measured. Therefore, any reporting of treasury management activities will focus on the risk to the Council and the management of such risks.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and services objectives. Therefore, it is committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques within the context of effective risk management.

The Council's borrowing will be affordable, ensuring appropriate provision is made within the revenue budget to repay debt. It should also be sustainable and prudent, consideration being given to the management of interest rate risk and risks associated with refinancing. Also, the Council's borrowing activities will be transparent as will its control of its debt.

With regards to the Council's Investment strategy the key focus will be the security of capital. The liquidity and accessibility of funds will be the next consideration and finally the yield which should be commensurate with the risks to be managed.