

Committee: Cabinet

Agenda Item

Date: 19 February 2013

Title: Treasury Management Policy, Strategy and Prudential Indicators

Portfolio Holder: Councillor Robert Chambers

Item for decision

Summary

1. The Council's cashflow management, use of banks, investments and borrowing is governed by the Treasury Management Strategy (TM strategy).
2. 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 2013/14 and the following 2 years. However a five year strategy has been prepared to be consistent with the Medium Term Finance Strategy period.
3. CIPFA revised the TM Code in late 2011 to reflect the impact of the current economic position and changes to the HRA finance regime.
4. The Treasury Management Policy (Appendix A) was revised for 2012/13 to ensure that the Council's high level aims for borrowing and investment are clearly identified. No amendments are proposed for the 2013/14 policy. 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 historically low.
 - reappraising the Council's debt portfolio should there be a sharp rise in interest rates.
 - Continuous assessment of the HRA's short term capacity to repay the 'Self Financing' loan portfolio should the opportunity arise.
5. The Treasury Management Strategy and Prudential Indicators are compliant with the revisions to the TM Code (Appendix B).
6. The Treasury Management Strategy was unanimously endorsed by the Scrutiny Committee on 7 February 2013. In doing so they commented on the following:
 - That term deposits with Other Local Authorities should be restricted to Upper Tier Local Authorities with a minimum credit rating of A- (in line with the Council's banking counterparties). This adjustment has been made.
 - The need to keep the Council's Counterparties list under review given the current international economic position.

- The need for a balance between ‘on account’ and ‘fixed term’ investments bearing in mind that the security of investments is paramount.

Recommendations

7. That Cabinet recommends that Full Council approves:

- the Treasury Management Policy as set out at Appendix A.
- the Treasury Management Strategy as set out in Appendix B
- the Prudential Indicators as set out in Appendix B
- the Council’s counterparty list and limits as proposed at Appendix 3.

Background papers

None

Published Papers

Local Government Act 2003.

Localism Act 2011

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

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(as amended).
Ward-specific impacts	No specific implications
Workforce /Workplace	No specific implications

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Credit/Liquidity/Refinancing and Market risks	2	2	<p>Council compliance with the legal framework as set out in the local Government Act 2003 (as amended), associated regulations and professional Codes of Practice/guidance. Compliance monitored regularly through:</p> <ul style="list-style-type: none"> • adoption of TM Policy and Strategy. • Mid year TM progress report to Cabinet/Council. • Annual TM outturn Report to Cabinet/Council. • TM procedures.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.