

Committee: Cabinet

Date: 18 February 2014

Title: Treasury Management Strategy 2014/15

Portfolio Holder: Councillor Robert Chambers

1.0 Summary

- 1.1 The Council's cash-flow management, use of banks, investments and borrowing is governed by the Treasury Management Strategy (TM strategy).
- 1.2 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 2014/15 and the following 2 years. However a five year strategy has been prepared to be consistent with the Medium Term Financial Strategy period.
- 1.3 The Local Government Act 2003 also requires Local Authorities to adopt Prudential Indicators and Minimum Revenue Provision Statements, see Appendices A1 and A2.
- 1.4 The TM strategy, *Appendix A*, will continue to give priority to security and liquidity of investment capital over return. It will also be prudent and transparent.
- 1.5 The strategy assumes no new external borrowing. Investments will continue to be prudent. A longer list of counterparties including Building Societies is proposed in order to diversify risk.
- 1.6 The strategy was unanimously endorsed by the Scrutiny Committee on 6 February. The attached strategy is as endorsed, except that the maximum lending period for building societies has been updated in line with Arlingclose best practice guidance issued on 7 February.

2.0 Recommendations

- 2.1 The Cabinet is requested to approve, for recommendation to Full Council on 27 February, the following items as set out in the attached document:
 - Treasury Management Strategy 2014/15, Appendix A.
 - Prudential Indicators, Appendix A1.
 - Minimum Revenue Provision (MRP) Statement, Appendix A2
 - Counterparty list, Appendix A3

3.0 Impact

Communication/Consultation	No specific implications
Community Safety	No specific implications
Equalities	No specific implications
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

4.0 Background

- 4.1 The Council has adopted the TM Code which requires the Council to approve a Treasury Management Strategy before the start of each financial year.
- 4.2 In addition, the Department for Communities and Local Government (DCLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Council to approve an Investment Strategy before the start of each financial year.
- 4.3 The Treasury Management Strategy fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the TM Code and the DCLG Guidance.
- 4.4 The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's Treasury Management Strategy and to mitigate these risks.

5.0 Background Papers

- 5.1 None

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.</p> <p>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.