

Committee: Scrutiny Committee

Agenda Item

Date: 7 February 2012

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Title: Treasury Management Policy, Strategy
and Prudential Indicators

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**Item for
decision**

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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 will be considered by the Cabinet on 16 February and Full Council on 23 February.
3. The Scrutiny Committee has an opportunity to review the draft Strategy and make comments and suggestions.
4. In particular, the Scrutiny Committee could consider whether:
 - The Strategy is clear and places appropriate emphasis on the management or risk.
 - The strategy for investing surplus funds is consistent with the Council's risk appetite.
 - The borrowing strategy is appropriate and prudent.
 - Prudential Indicators confirm that the Council's treasury management is prudent, affordable and sustainable.

Recommendations

5. Members are requested to review the items below and either endorse their content or make comments and suggestions for consideration by the Cabinet on 16 February:
 - 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.
CIPFA Treasury Management Code and Prudential Indicator Guidance.
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.
Ward-specific impacts	No specific implications
Workforce /Workplace	No specific implications

SUMMARY

6. 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.
7. CIPFA revised the TM Code in late 2011 to reflect the impact of the current economic position and changes to the HRA finance regime.
8. 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.
9. The Treasury Management Strategy and Prudential Indicators are compliant with the revisions to the TM Code.

10. A key aspect of the Treasury Management strategy this year is the management of the loans that the Council is required to take out to fund the HRA self financing payment. This is consistent with the HRA Business Plan and funding strategy considered earlier on today's agenda.