



Report to Regulatory and Audit Committee

Title: Treasury Management Strategy Report 2014/15

Date: 28 January 2014

Date Decision can be implemented: n/a

Author: Pensions & Investments Manager

Contact Officer: Julie Edwards 01296 383910

Electoral Divisions Affected: n/a

Portfolio Areas Affected: All

Relevant Overview and Scrutiny Committee:

Summary

The purpose of this report is for the Regulatory and Audit Committee to consider the Council's Annual Treasury Management Policy Statement, Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2014/15 before it is submitted to Council at its meeting on 13 February 2014.

Recommendation

The Committee are asked to RECOMMEND to Council the Treasury Management Policy Statement, Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2014/15, together with the Prudential Indicators for the next four years.

A. Narrative setting out the reasons for the decision

Supporting Information

1. The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management Code of Practice 2011 edition (the CIPFA Code) on 1 April 2012, the Code defines Treasury Management as:

the management of the organisation'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 the optimum performance consistent with those risks.

2. The Council is required under Section 15 of the Local Government Act 2003 to approve an Annual Investment Strategy before the start of each financial year. In accordance with best practice the Council combines the Annual Investment

Strategy with its Treasury Management Strategy Statement. The general policy objective is to ensure that surplus funds held on behalf of the Council are invested prudently. The Strategy Statement covers the requirements of the Department for Communities and Local Government (DCLG) guidance on Local Government Investments which was revised in 2010.

3. The Secretary of State issued Guidance on Minimum Revenue Provision under section 21(1A) of the Local Government Act 2003 which requires an annual statement on the Council's debt repayment policy: its Minimum Revenue Provision is submitted to the full Council for approval before the start of the financial year to which the provision will relate. Minimum Revenue Provision is defined as being the contribution from revenue to cover the unfinanced borrowing that has been undertaken to support the capital programme.
4. The Treasury Management Policy Statement, Treasury Management Strategy Statement, the Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2014/15, are attached as Appendix 1, changes from the 2013/14 Strategies are highlighted in grey. Deletions from the previous policy have a line drawn through the text.
5. There are no significant changes proposed to the treasury management strategy for 2014/15. Following changes to the Strategy approved by County Council in November 2013 a £5m investment in the CCLA LAMIT Property Fund increased by 3.45% in value during December 2013.
6. The proposed changes to the Strategy for 2014/15 are highlighted in the policy document and include the following:
 - The Council may borrow £10m per annum in advance of need during 2014/15 and 2015/16 and a further £10m in 2016/17, borrowing requirements will be reviewed.
 - During 2014/15 the Council will be borrowing £16m on behalf of the South East Local Enterprise Partnership (LEP) Buckinghamshire for Aylesbury Eastern Link Road and High Wycombe Town Centre Transport Projects. HM Treasury has agreed that the LEP can access the PWLB Project Rate at a discount of 40 basis points below the standard PWLB rate, the County Council will arrange the loan and pay the interest to the PWLB on behalf of the LEP, the LEP will reimburse the costs incurred to the County Council so that the loan is cost neutral to the County Council.
 - The Council may borrow short term loans, normally for up to one month, to cover unexpected cash flow shortages, explicitly stating the Council's existing practice in the Borrowing Strategy.
 - If an institution is on negative watch so that it is likely to fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. The 2013/14 strategy stated that in these circumstances no further investments could be placed.

B. Other options available, and their pros and cons

The Council has considered setting a more risk adverse strategy and a less risk adverse strategy and has considered the consequential effects on interest income.

C. Resource implications

There are no additional costs associated with the recommendation, the aim is to maximise returns within a Strategy which is affordable, prudent and sustainable.

D. Value for Money (VFM) Self Assessment

The Council seeks to maximise its investment return and minimise the cost of debt within an acceptable risk exposure.

E. Legal implications

The publication of the outturn position and treasury management policy and associated schedules conform to best practice as required by the CIPFA Code of Practice.

F. Property implications

There are none.

G. Other implications/issues

There are none.

H. Feedback from consultation and Local Member views

Not Applicable

I. Communication issues

To be published on the website.

J. Progress Monitoring

A mid year review and annual review of treasury management activity will be reported. Treasury Management is formally considered at monthly Treasury Management Group meetings between the Cabinet Member for Finance & Resources, the Deputy Cabinet Member for Finance & Resources, the Service Director (Finance and Commercial Services) and other key officers.

K. Review

The policy forming part of this decision will be reviewed annually.

Background Papers

There are none.

Your questions and views

If you have any questions about the matters contained in this paper please get in touch with the Contact Officer whose telephone number is given at the head of the paper.

If you have any views on this paper that you would like the Cabinet Member to consider, or if you wish to object to the proposed decision, please inform the Democratic Services Team by 5.00pm on [Date]. This can be done by telephone (to 01296 383604 or 383610), Fax (to 01296 382538), or e-mail to cabinet@buckscc.gov.uk