



Report to Regulatory and Audit Committee

AGENDA ITEM 4

Title: Treasury Management Strategy Report 2015/16

Date: 28 January 2015

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, Annual Investment Strategy and the Minimum Revenue Provision Policy Statement for 2015/16, together with the Prudential Indicators for the next three years before it is submitted to Council at its meeting on 12 February 2015.

Recommendation

The Committee are asked to **RECOMMEND** to Council the Treasury Management Policy Statement, Treasury Management Strategy Statement, Annual Investment Strategy and the Minimum Revenue Provision Policy Statement for 2015/16, together with the Prudential Indicators for the next three 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 Code requires the Council to approve a treasury management strategy before the start of each financial year. In addition, the Department for Communities and Local Government (CLG) issued revised Guidance on Local Authority Investments which was revised in March 2010 that requires the Council to approve an 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.
3. Guidance on Minimum Revenue Provision under section 21(1A) of the Local Government Act 2003 also 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, Annual Investment Strategy and the Minimum Revenue Provision Policy Statement for 2015/16, are attached as Appendix 1, changes from the 2014/15 Strategies are highlighted in grey. Deletions from the previous policy have a line drawn through the text. The approved investment counterparties and investments limits tables are included in the Investment Strategy, in 2014/15 they were appended to the strategy.
5. The proposed changes to the Strategy for 2015/16 are highlighted in the policy document and include the following:
 - The Council may borrow £15m in advance of need during 2015/16 and a further £15m in 2016/17 for the Energy from Waste project, borrowing requirements will be reviewed.
 - HM Treasury have confirmed that they are taking the necessary legislative steps to abolish the PWLB in the coming months. This development is purely being taken to address the governance of the PWLB. The CLG have stated that it will have no impact on existing loans held by local authorities or the government's policy on local authority borrowing. HMT has confirmed that the PWLB's lending functions will continue unaffected albeit under a different body so that local authorities will continue to access borrowing at rates which offer good value for money.
 - Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council aims to further diversify into more secure and/or higher yielding asset classes during 2015/16. This diversification, particularly into secured bank investments, represents a substantial change in strategy over the coming year. This includes covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in.
6. In accordance with the Local Government Act 2003 the Council is required to agree a range of indicators to demonstrate that its investment plans are affordable, prudent and sustainable. The indicators, based on 2015/16 to 2017/18 capital programme form part of this strategy, are attached as Appendix 2. The Prudential

Indicators are monitored on a quarterly basis at the Treasury Management Group meetings and progress against the Indicators is reported to the Regulatory & Audit Committee in the mid year and annual activity report.

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 Director of Assurance and other key officers.

K. Review

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

Background Papers

There are none.
