

Regulatory and Audit Committee

Title: Treasury Management Strategy 2016/17

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Local members affected:

For press enquiries concerning this report, please contact the media office on 01296 382444

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 2016/17, together with the Prudential Indicators for the next four years before it is submitted to Council at its meeting on 18 February 2016.

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 2016/17, together with the Prudential Indicators for the next four years.

Supporting information to include the following if a decision is being requested:

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.

Legal implications



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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.

Other implications/issues

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, Department for Communities and Local Government (DCLG) Guidance on Local Authority Investments 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 2016/17, are attached as Appendix 1. The approved investment counterparties and investments limits tables are included in the Investment Strategy.
5. The proposed changes to the Strategy for 2016/17 include the following:
 - The Council is expecting to externally borrow £30m to £40m in 2016/17 for the Energy from Waste project (underlying need to borrow expected to be £130m).
 - The Council is intending to finance much of the Energy from Waste plant through a combination of earmarked reserves (approximately £50m) and current cash investments (approximately £90m to £100m). Therefore, during the forthcoming 12 months, the Council's average investment balance is

expected to reduce from £200m to approximately £30m. In anticipation of making a single bullet payment for the Energy from Waste project in May, the Council's strategy during 2015/16 has been to invest in term deals that mature prior to May 2016, money market funds or call accounts. Following payment for the Energy for Waste plant, the Council plans to maintain minimum cash levels for operational purposes.

6. The table below summarises the proposed investment limits for 2016/17. The limits prior to the EfW plant payment are the same as 2015/16 strategy, apart from the Money Market Funds limit which has been temporarily increased from £150m to £200m in anticipation of requiring an increased access to short term cash prior to making the EfW plant payment.

	Cash limit prior to EfW plant payment	Cash limit following EfW plant payment
Any single organisation, except the UK Central Government	£25m each	£10m each
UK Central Government	unlimited	unlimited
Any group of organisations under the same ownership	£20m per group	£10m per group
Any group of pooled funds under the same management	£50m per manager	£25m per manager
Negotiable instruments held in a broker's nominee account	£100m per broker	£30m per broker
AAA sovereign rated foreign countries	£30m per country	£20m per country
AA+ sovereign rated foreign countries	£15m per country	£10m per country
Unsecured investments with Building Societies	£25m in total	£10m in total
Money Market Funds	£200m in total	£50m in total

7. 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 2016/17 to 2019/20 capital programme form part of this strategy, are attached as Appendix 2. Progress against the Indicators is reported to the Regulatory & Audit Committee in the mid-year and annual activity report.

Feedback from consultation, Local Area Forums and Local Member views (if relevant)

Not applicable.

Background Papers

Treasury Management Strategy Report to County Council 12 February 2015
<http://moderngov/documents/g6360/Public%20reports%20pack%2012th-Feb-2015%2009.30%20County%20Council.pdf?T=10>

Treasury Management Annual Summary Report to County Council 16 July 2015
<http://moderngov/documents/g6363/Public%20reports%20pack%2016th-Jul-2015%2009.30%20County%20Council.pdf?T=10>

Treasury Management Mid-Year Report to County Council 19 November 2015
<http://moderngov/documents/g6365/Public%20reports%20pack%2019th-Nov-2015%2009.30%20County%20Council.pdf?T=10>
