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**Meeting:** Corporate Resources Overview & Scrutiny Committee  
**Date:** 18<sup>th</sup> December 2012  
**Subject:** Treasury Management Strategy And Treasury Policy  
**Report of:** Cllr Maurice Jones , Deputy Leader and Executive Member for Corporate Resources  
**Summary:** The report provides a brief summary of the changes to the Treasury Management Strategy.

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**Advising Officer:** Charles Warboys, Chief Finance Officer  
**Contact Officer:** Ralph Gould, Head of Financial Control  
**Public/Exempt:** Public  
**Wards Affected:** All  
**Function of:** Executive

#### **CORPORATE IMPLICATIONS**

##### **Council Priorities:**

1. Effective management of the Council's financial resources and the associated risks is a cornerstone to the delivery of the Council's priorities.

##### **Financial:**

2. The Council's Treasury Management Strategy and prudential indicators underpin the Medium Term Financial Plan (MTFP).
3. Treasury management is defined by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management in the Public Services as: "The management of the local authority'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 optimum performance consistent with those risks."

##### **Legal:**

4. The Council's treasury management activities are regulated by statute, professional codes and official guidance. The Local Government Act 2003 (the Act) provides the powers to borrow and invest as well as providing controls and limits. Under the Act, Communities and Local Government has issued Guidance on Local Government Investments (revised March 2010) to structure and regulate the Council's investment activities. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 – Statutory Instrument (SI) 3146 (plus subsequent amendments), develops the controls and powers within the Act. The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities. The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services (the Code of Practice).

CIPFA revised the Code of Practice in November 2011 to reflect developments in financial markets and the introduction of the Localism Act for English local authorities

**Risk Management:**

5. The treasury management strategy and prudential indicators aims to manage the risks to the Council's finances from instability in financial markets.

**Staffing (including Trades Unions):**

6. Not Applicable.

**Equalities/Human Rights:**

7. Not Applicable

**Public Health**

8. Not Applicable.

**Community Safety:**

9. Not Applicable.

**Sustainability:**

10. Not Applicable.

**Procurement:**

11. Not Applicable.

**RECOMMENDATION(S):**

**1 That the Corporate Resources Overview & Scrutiny Committee considers the report and submits comments to the Executive if considered necessary.**

Reason for recommendations is to support the maintenance of an effective treasury management framework.

## **Introduction**

12. Treasury management practices at the Council are developed within a statutory framework and informed by Investment Guidance issued by the Communities and Local Government department (CLG) and the CIPFA Code of Practice. One requirement is that the Council's annual Treasury Management Strategy is subject to scrutiny before it is considered by Full Council.
13. The Council receives reports on its treasury management policies practices and activities, including as a minimum, an annual strategy and plan in advance of the year, a mid year review and an annual report after its close, in the form prescribed in the Treasury Management Practices (TMP's).
14. The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Executive and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the Council's policy statement, and TMP's.
15. The Council has nominated the Corporate Resources Overview and Scrutiny Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.
16. The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, and then return.
17. Investment instruments identified for use in the financial year are listed in Appendix B under the 'Specified' and 'Non-Specified' Investments categories as well as counterparty limits.
18. The Treasury Management Policy is attached at Appendix A; which is subject to review at least every three years. The Policy has been subject to minor amendments following the Council's adoption of the 2011 revised Codes of practice. A revised Treasury Management Strategy is attached at Appendix B reflect. Both these documents will be presented to Executive on 8<sup>th</sup> January 2013.
19. This report summarises the changes to the Treasury Management Strategy as a result of continuous review with our external advisers, Arlingclose.

## **Treasury Management Policy**

20. Minor changes have been made to the Treasury Management Policy adopted by the Council in February 2012 to reflect the Council's adoption on 29 November 2012 of the CIPFA Codes of practice revised in November 2011. This is attached at Appendix A.
21. The Treasury Management Policy sets out the objectives and the regulatory requirements of the authority's Treasury Management Function.

22. The principal objectives of this Treasury Management Policy Statement are to provide a framework within which: -
- i) Risks which might affect the Council's ability to fulfil its responsibilities or which might jeopardise its financial security can be identified
  - ii) Borrowing costs can be minimised whilst ensuring the long term security and stability of the Council's financial position;
  - iii) Investment returns can be safely maximised and capital values maintained;
  - iv) The use of assets as loan security is minimised.

### **Treasury Management Strategy**

23. The CIPFA's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also incorporates the Investment Strategy as required under the CLG's Investment Guidance

### **Counterparty Lists**

24. The Strategy allows the Council's banker NatWest to be used should there be a downgrade to their credit ratings to a level below the Council's minimum criteria; the Council will continue to use the bank on an operational basis for short term liquidity investments (overnight and weekend investments) and for business continuity arrangements.

### **Authorised Limits and Operational Boundary**

25. The Authorised Limit has been revised from £455m to £440m for 2012-13 and an Authorised limit of £471m has been set for 2013/14. This represents the maximum level of external borrowing on a gross basis.
26. The Operational Boundary has been revised from £434m to £427.4m for 2012-2013 and an Operational Boundary of £458.8m has been set for 2013/14, these limits link directly to the Capital Financing Requirement and estimates of other cash flow requirements.

### **Appendices:**

Appendix A – Treasury Management Policy

Appendix B – Treasury Management Strategy

### **Background papers and their location: (open to public inspection)**

The Chartered Institute of Public Finance & Accountancy – The Prudential Code for Capital Finance in Local Authorities (2011 Edition).

The Chartered Institute of Public Finance & Accountancy – Treasury Management in the Public Services, Code of Practice and Cross-Sectoral Guidance notes (2011 Edition).

The Chartered Institute of Public Finance & Accountancy – Treasury Management in the Public Services, Guidance Notes for Local Authorities including Police

Authorities and Fire Authorities (2011 Edition).