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**Meeting:** Executive  
**Date:** 8 January 2013  
**Subject:** Treasury Management Strategy and Treasury Policy  
**Report of:** Cllr Maurice Jones, Deputy Leader and Executive Member for Corporate Resources  
**Summary:** The report summarises changes to the Treasury Management Policy and 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  
**Key Decision** No  
**Reason for urgency/  
exemption from call-in  
(if appropriate)** Not applicable

## **CORPORATE IMPLICATIONS**

### **Council Priorities:**

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

### **Financial:**

1. The Council's Treasury Management Strategy and prudential indicators underpin the Medium Term Financial Plan (MTFP).
2. 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:**

3. 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:**

4. 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):**

5. Not Applicable.

**Equalities/Human Rights:**

6. Not Applicable.

**Public Health:**

7. Not Applicable

**Community Safety:**

8. Not Applicable.

**Sustainability:**

9. Not Applicable.

**Procurement:**

10. Not Applicable.

**Overview and Scrutiny:**

11. The revised Treasury Management Policy and Treasury Management Strategy were considered by the Overview and Scrutiny Committee at its meeting on 18 December 2012. After consideration of the policy and strategy the Committee had no comments to submit to the Executive.

## **RECOMMENDATIONS:**

**The Executive is asked to recommend Council to approve:**

- 1. the Treasury Management policy statement January 2013 to January 2016;**
- 2. the Treasury Management Strategy 2013/14 to 2015/16, the Investment Strategy 2013/14, detailed counterparty criteria 2013/14 and the capital, treasury and borrowing Prudential Indicators contained within Appendix B; and**
- 3. the Minimum Revenue Provision (MRP) statement contained within Appendix B (section 11) which sets out the Council's policy on MRP.**

<i>Reason for Recommendations:</i>	<i>To ensure that an effective and appropriate treasury management framework is in place for the Council.</i>
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## **Executive Summary**

12. Central Bedfordshire annually agrees its Treasury Management Strategy and, as a minimum every three years, reviews its Treasury Management Policy. In response to the greater risk and uncertainty in investment markets CIPFA revised both the Treasury Management Code of Practice and the Prudential Code for Capital Finance in Local Authorities in November 2011. The revised strategy recognises a greater focus on risk in the two codes.

## **Introduction**

13. Treasury management practices at the Council are developed within a statutory framework and informed by Investment Guidance issued by the Department for Communities and Local Government (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.
14. 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).
15. 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.
16. 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.

17. 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.
18. 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.
19. This report summarises the changes to the Treasury Management Strategy as a result of continuous review with the Council's 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 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.

### **Treasury Management Strategy**

23. CIPFA's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine their Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The revised Treasury Management Statement also incorporates the Investment Strategy as required under the CLG's Investment Guidance. This is enclosed at Appendix B and where prudential indicators have been revised in respect of the financial year 2012/13 the original approved indicator and the revision are disclosed.

## **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 links directly to the Capital Financing Requirement and estimates of other cash flow requirements.

## **Appendices:**

Appendix A – Treasury Management Policy for January 2013 – January 2016

Appendix B – Treasury Management Strategy Statement and Investment Strategy 2013/14 to 2015/16

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

None