

Agenda Item No: 10 **Report No:** 25/14
Report Title: Annual Treasury Management Strategy Statement and Investment Strategy 2014/2015 to 2016/2017
Report To: Audit and Standards Committee **Date:** 27 January 2014
Ward(s) Affected: All
Report By: Director of Finance
Contact Officer(s)-

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Purpose of Report:

To present the draft Treasury Management Strategy Statement and Investment Strategy 2014/2015 to 2016/2017.

Officers Recommendation:

1. To receive the draft Treasury Management Statement and Investment Strategy 2014/2015 to 2016/2017 and make comments to Cabinet as the Committee sees fit.
 2. To note the contents of this report.
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Reasons for Recommendations

- 1 The Council has adopted the CIPFA Code of Practice on Treasury Management. In accordance with the Code of Practice, the Cabinet approves an updated Annual Treasury Strategy Statement before the start of each financial year. This includes an Investment Strategy for the year ahead (which Government guidance notes should be adopted by full Council) as well as 'Prudential Indicators' which are required to be set in order to comply with the 'Prudential Code for Capital Finance in Local Authorities' (The Prudential Code).
- 2 It is appropriate for the Audit and Standards Committee to review and comment on the draft Strategy before it is approved by Cabinet as part of the overall budget cycle, rather than to carry out this function after the Strategy has been formally adopted.

Information

- 2.1 The draft Strategy Statement is attached at Appendix 1. There are three changes in the approach to borrowing or investments compared with the current Strategy. These are:

- the inclusion as potential counterparties of Registered Providers (RP's) of Social Housing (with minimum long term rating A) as potential counterparties. RP's are tightly regulated by the Homes and Communities Agency and retain a high likelihood of receiving government support if needed. RP's operating locally are excluded in order to avoid the possibility of investments being deemed capital expenditure.
- the removal of the 2013/2014 strategy requirement for Money Market Funds (MMF's) in use to carry a AAA rating. This is in response to proposed EU regulatory reforms to MMF's which will, in all probability, result in these funds moving to a variable net asset value basis and away from their current AAA credit rating wrapper. The Council would seek the advice of Arlingclose before placing funds with a MMF which is not currently in use.
- an increase in the maximum able to be held in a MMF to £2m from £1m, in order to give increased day-to-day flexibility.

Amendments have been made to the narrative within the draft Strategy Statement so that it remains current.

- 2.2** The Strategy Statement sets out the background to the Council's Treasury Management activity both in terms of the wider economy and the Council's own current and projected financial position. It explains the approach which will be taken to borrowing and the investment of cash balances, and describes the risks which are inherent in Treasury Management and how these are to be mitigated. The Statement also outlines the Prudential Indicators which are to be set following approval of the General Fund and Housing Revenue Account budgets for 2014/2015, as well as the Capital Programme. It also includes an 'MRP Statement' which defines the approach that the Council will take to make prudent provision for debt redemption.
- 2.3** The content of the draft Statement follows the requirements of CIPFA's Code of Practice and has been prepared with the support of Arlingclose, the Council's Treasury advisor.
- 3** A number of the Prudential Indicators relate to details of the Capital Programme for 2014/2015 to 2016/2017, and the General Fund and Housing Revenue Account budgets. At the time of preparing this report and the draft Strategy Statement, officers were finalising their proposals for the Capital Programme (which is to be considered by Cabinet as part of the overall budget cycle in February 2014). As a result it has not been possible to include future values for these Prudential Indicators at this stage, and they will be outside the scope of the Audit and Standards Committee's review.

Financial Implications

- 4** All relevant implications are referred to in the Draft Strategy Statement.

Legal Implications

- 5** None arising from this Report.

Sustainability Implications

- 6 I have not completed the Sustainability Implications Questionnaire as this Report is exempt from the requirement because it is a budget/financial monitoring report.

Risk Management Implications

- 7 The risk management implications associated with this activity are explained in the draft Strategy Statement.

Equality Screening

- 8 The Equality Screening process for this Report took place in January 2014. No potential negative impacts were identified.

Appendix 1 – Draft Treasury Management Statement and Investment Strategy 2014/2015 to 2016/2017

Background Papers – Treasury Strategy Statement 2013/2014 <http://www.lewes.gov.uk/council/20987.asp>