

Cheltenham Borough Council

Cabinet – 7th February 2012

Council - 10th February 2012

Treasury Management Strategy Statement and Annual Investment Strategy 2012/13

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| Accountable member | Finance & Community Development , John Webster |
| Accountable officer | Director Resources, Mark Sheldon |
| Accountable scrutiny committee | Economy & Business Improvement |
| Ward(s) affected | None |
| Key Decision | No |
| Executive summary | In accordance with best practice, the Council has adopted and complies with the CIPFA Code of Practice on Treasury Management in the public services. To comply with the code, the Council has a responsibility to set out its Treasury Management Strategy Statement for borrowing and to prepare an Annual Investment Strategy for council approval prior to the start of a new financial year. |
| Recommendations | <p>Treasury Management Panel/Cabinet recommend to Council the approval of the attached Treasury Management Strategy Statement and Annual Investment Strategy for 2012/13 at Appendix 2 including :</p> <ul style="list-style-type: none">• The general policy objective ‘that Council should invest prudently the surplus funds held on behalf of the community giving priority to security and liquidity’.• That the Prudential Indicators for 2012/13 including the authorised limit as the statutory affordable borrowing limit determined under Section 3 (1) Local Government Act 2003 be approved.• Revisions to the Council’s lending list and parameters as shown in Appendix 2 11.2 and 11.4 are proposed in order to provide some further capacity. These proposals have been put forward after taking advice from the Council’s treasury management advisers Arlingclose and are prudent enough to ensure the credit quality of the Council’s investment portfolio remains high.• For 2012/13 in calculating the Minimum Revenue Provision (MRP), the Council will apply Option 1 in respect of supported capital expenditure and Option 3 in respect of unsupported capital expenditure as per section 21 in Appendix 3. |

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| Financial implications | All financial implications are noted in the report. Contact officer: Andrew Sherbourne, andrew.sherbourne@cheltenham.gov.uk, 01242 264337 |
| Legal implications | As detailed in the report. Contact officer: Peter Lewis peter.lewis@teWKesbury.gov.uk, 01684 272695 |
| HR implications (including learning and organisational development) | None arising directly from this report. Contact officer: Julie McCarthy, julie.mccarthy@cheltenham.gov.uk, 01242 264355 |
| Key risks | As noted in Appendix 1. |
| Corporate and community plan Implications | The purpose of the strategy is to improve corporate governance, a key objective for the Council. |
| Environmental and climate change implications | None arising directly from this report. |

1. Background

- 1.1 The CIPFA Code of Practice for Treasury Management in Public Services and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement and the Prudential Indicators on an annual basis. The Treasury Management Strategy Statement also incorporates the Annual Investment Strategy as required under the CLG's Investment Guidance.
- 1.2 For the purposes of the Code, CIPFA has adopted the following as its definition of treasury management activities:
- “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 optimum performance consistent with those risks.”*
- 1.3 The Council will create and maintain, as the basis for effective treasury management:
- A Treasury Management Strategy Statement, stating the policies, objectives and approach to risk management of its treasury management activities
 - Suitable Treasury Management Practices (TMP's) setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- 1.4 The local authorities (Capital Finance and Accounting) (England) Regulations 2003, which came into force on 1st April 2004, include provisions relevant to investments. These regulations, together with amendments subsequently made to them (S.I No.534), determine the nature of specific investments, and how they should be treated/accounted for by a local authority. Formal guidance

was revised and issued by the Communities and Local Government (CLG) in 2010.

1.5 The Treasury Management Strategy Statement and Annual Investment Strategy at Appendix 2, state the overriding principles and objectives governing treasury management activity. As an integral part of that Statement, the Council includes the preparation of Treasury Management Practices which set out the manner in which the Council will achieve those principles and objectives prescribing how it will manage and control those activities.

1.6 The general policy objective of the Annual Investment Strategy is that:

‘the Council should invest prudently the surplus funds held on behalf of the community giving priority to security and liquidity’.

The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk is an important and integral element of its treasury management activities.

1.7 The strategy allows sufficient flexibilities and delegations to avoid the need for a formal variation, other than in the most exceptional circumstance.

2.0 Consultation

2.1 The Council’s external treasury advisors, Arlingclose Ltd, supported the Council in the production of the strategies.

2.2 The strategy was approved by the Treasury Management Panel at its meeting on 26th January 2012.

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| Report author | Contact officer: Mark Sheldon, mark.sheldon@cheltenham.gov.uk 01242 264123 |
| Appendices | Appendix 1 – Risk Assessment Appendix 2 – Treasury Management Strategy Statement & Annual Investment Strategy 2012/13 Appendix 3 – Annual MRP Statement 2012/13 |
| Background information | Section 15(1)(a) of the Local Government Act 2003 Cheltenham Borough Council Treasury Management Practices |

| The risk | | | | Original risk score (impact x likelihood) | | | Managing risk | | | | | |
|-----------|---|-------------------------------------|-------------------------------|---|---|-------|---------------|--|------------|----------------------------------|------------------------------|--|
| Risk ref. | Risk description | Risk Owner | Date raised | I | L | Score | Control | Action | Deadline | Responsible officer | Transferred to risk register | |
| HRA- | If there are insufficient resources to meet debt principle repayments and interest then further borrowing may be required or a need to reduce capital or revenue expenditure. | Director for Resources Mark Sheldon | January 2012 | 2 | 2 | 4 | Accept | High level of assumptions within the Business Plan on future inflation and interest rates. Significant changes in inflation or government policy. Can be mitigated by robust monitoring and reviewing the long term projections. | March 2013 | Paul Jones | | |
| | LOBO Loans - If £7m of these loans is recalled by the banks if they choose to exercise their option then we would need to have the resources on the day to repay. Alternative borrowing arrangements at today's current rates would be favourable for the Council | Director for Resources Mark Sheldon | 24 th January 2012 | 1 | 2 | 2 | Accept | If the loans are recalled the council could take out temporary borrowing which is currently much lower than the rates on these loans. Any capital receipts available could also be used to repay debt. | May 2012 | Section 151 Officer Mark Sheldon | | |