

Report To: Council

Date of Meeting: 28 February 2012

Lead Member / Officer: Cllr Julian Thompson-Hill

Report Author: Head of Finance and Assets

Title: Treasury Management Strategy Statement 2012/13 and Prudential Indicators 2012/13 to 2014/15

1 What is the report about?

- 1.1 The report shows how the Council will manage its investments and its borrowing for the coming year and sets the policies within which the Treasury Management function operates.

2 What is the reason for making this report?

- 2.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management (the "CIPFA TM Code") requires the Council to approve the Treasury Management Strategy Statement and Prudential Indicators annually. A decision is required therefore to approve the recommendations below.

3 What are the Recommendations?

- 3.1 That Council approves the Treasury Management Policy Statement for 2012/13.
- 3.2 That Council approves the Treasury Management Strategy Statement for 2012/13 (Appendix A).
- 3.3 That Council approves the setting of Prudential Indicators for 2012/13, 2013/14 and 2014/15 (Appendix B).
- 3.4 That Council approves the Minimum Revenue Provision Statement (Appendix A Section 6).
- 3.5 That Council approves the use of Specified and Non-Specified Investments (Appendices D & E).

4 Report details

Background

- 4.1 Treasury Management involves looking after the Council's cash which is a vital part of the Council's work because approximately £0.5bn passes through the Council's bank account every year.

- 4.2 At any one time, the Council has at least £20m in cash so we need to make sure that we achieve the best rate of return possible without putting the cash at risk which is why we invest money with a number of financial institutions.

When investing, the Council's priorities are to:

- keep money safe (security);
- make sure that we get the money back when we need it (liquidity);
- make sure we get a decent rate of return (yield).

Treasury Management Strategy Statement 2012/13

- 4.3 The Treasury Management Strategy Statement (TMSS) for 2012/13 is set out in Appendix A. This report includes Prudential Indicators which set limits on the Council's treasury management activity and demonstrate that the Council's borrowing is affordable.

Prudential Indicators:

- 4.4 The Council Fund indicators are based on the latest proposed capital bids and block allocations.
- 4.5 The Housing Revenue Account indicators have been calculated in accordance with the budget approved by Cabinet at its meeting of 21 February 2012 and are based upon the Housing Stock Business Plan.
- 4.6 The individual Prudential Indicators recommended for approval are set out in Appendix B.

5 How does the decision contribute to the Corporate Priorities?

- 5.1 An efficient Treasury Management strategy allows the Council to minimise its borrowing costs and release funding for its investment priorities.

6 What will it cost and how will it affect other services?

- 6.1 There are no cost implications arising as a result of the setting of Prudential Indicators. The point of the Treasury Management Strategy is to obtain the best return within a properly managed risk framework.

7 What consultations have been carried out?

- 7.1 The Council's Capital Plan and Revenue Budget have been prepared in consultation with Heads of Service, Corporate Directors, Scrutiny Committees, Cabinet and Council.
- 7.2 The Housing Stock Business Plan, revenue and capital budgets have been presented to Social Services and Housing Scrutiny members. Denbighshire Tenants and Residents Federation will also be consulted on the proposals.
- 7.3 The Strategy Statement was reviewed by the Corporate Governance Committee on 08 February 2012.

Chief Financial Officer Statement

- 7.4 Treasury Management involves looking after significant sums of cash so it is a vital part of the Council's work. It requires a sound strategy and appropriate controls to safeguard the Council's money, to ensure that reasonable returns on investments are achieved and that debt is effectively and prudently managed.
- 7.5 The 2012/13 revenue budget assumes that the Council will undertake £3.65m of new prudential borrowing to fund capital expenditure on Highways and £4m to support regeneration projects and schools. In addition, capital receipts and reserves will be used to fund specific schemes. The impact of this is equivalent to a Council Tax increase as shown in Appendix B Prudential Indicator No 5. However, the majority of capital costs are being financed from grants and borrowing supported through the Revenue Support Grant System.
- 7.6 Similarly, the Housing Stock Business Plan assumes prudential borrowing will be undertaken and will be financed through the equivalent of a rise in weekly housing rents as shown in Appendix B Prudential Indicator No 5.
- 7.7 Council needs to adopt the revised CIPFA Code of Practice on Treasury Management (Nov 11). It is a requirement of that Code for Council to approve a Treasury Management Strategy Statement each financial year.

8 What risks are there and is there anything we can do to reduce them?

- 8.1 Treasury Management is inherently risky as outlined in the Strategy Statement. The Council has a risk management policy but it is impossible to eliminate these risks completely.

9 Power to make the Decision

- 9.1 The Local Government Act 2003 determines the requirement for local authorities to set Prudential Indicators and requires the Council to comply with the Prudential Code of Capital Finance for Local Authorities that has been produced by the Chartered Institute of Public Finance and Accountancy (CIPFA).