

Report of the Director of Customer & Business Support Services

## **Scrutiny of Treasury Management Strategy Statement and Prudential Indicators for 2013/14 to 2017/2018**

### **Summary**

1. In accordance with the requirements of the revised Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance (“the Code”) which was published in 2011, Audit & Governance Committee will be responsible for ensuring effective scrutiny of the treasury management strategy and policies.
2. The Treasury Management Strategy Statement and Prudential Indicators 2013/14 to 2017/18 is attached at Appendix A, along with the required annexes. This will be the start of the 2013/14 cycle of reports which includes 2 monitoring reports, a mid-year review report and the 2013/14 outturn report.

### **Background**

3. The areas covered in the treasury management strategy report statement and prudential indicators for 2013/14 to 2017/18 are as required in legislation and “the code”.
4. Points of interest to assist Members in the scrutiny of the treasury management strategy and prudential indicators attached at Appendix A are as follows:
  - a) Prudential Indicator 1 – capital expenditure (para12) – is in line with the Capital programme budget report 13/14 to 17/18
  - b) Prudential Indicator 2 – Capital Financing Requirement (para 17) the Council’s need to borrow is fairly flat over the 5 year period. Even though the capital programme increases, this is offset by the provision to repay debt and therefore the CFR remains static at around £320m
  - c) Minimum Revenue Provision policy statement (at para 18) provides further explanation of the requirement to set aside a provision to repay debt.
  - d) The affordability prudential indicators at show the ratio of finance costs to net revenue stream of the council (at para 27) and Prudential

Indicator 4 - shows the increase in cost to a council tax band D payer of increasing capital expenditure (at para 29). The indicator is in line with the CFR and in future years there is little impact – zero – as no borrowing is estimated to be taken.

- e) The Council had a debt position of £258.6m at an interest rate of 3.76% and an investment portfolio at £33m earning £1.5%
- f) Prudential Indicator 6 - the authorised borrowing limit (para 37) and the operational boundary (para 38) represent the control of the level of debt of the Council. The authorised borrowing limit should never be breached and if it needs to be changed is reported to full Council
- g) The borrowing strategy estimates the base rate to rise in Q1 2015, with gilt yield rising gradually in the coming years. The target borrowing rate set for 2013/14 is 4% (at para 48)
- h) Policy on Borrowing in Advance of Need (para 54) is unlikely for 2013/14 and if opportunities present themselves to repay debt this will be undertaken, although it is unlikely in the current environment (para 58)
- i) The Council's Creditworthiness Policy is detailed (para's 72 to 78) and also at Annex C the types of investments – specified and non-specified.
- j) The Investment Strategy (at para 83) estimates that banks will be relatively liquid in the next two years and therefore interest rates to be earned on investments are low at 0.5% / 0.6%.

5. Members of Audit & Governance Committee will receive treasury management reports on a regular basis, along with training sessions as required by the regulations.

### **Consultation**

6. Not applicable.

### **Options**

7. It is a statutory requirement under Local Government Act 2003 (as amended) for the council to operate in accordance with the CIPFA prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice the "Code". The Council approved the terms of reference in the Constitution to include that Audit & Governance Committee scrutinise the Treasury Management Strategy and Monitoring reports. No alternative options are available.

### **Council Plan**

8. Treasury management is an integral part of the council's finances providing for cash flow management and financing of capital schemes. It aims to ensure that the council maximises its return on investments, (whilst the priority is for

security of capital and liquidity of funds) and minimises the cost of its debts. This allows more resources to be freed up to invest in the Council's key priority areas as set out in the council plan. It therefore underpins all of the council's aims.

### **Implications**

9. The implications are
- Financial – the security of the Councils capital funds is a priority, maximising returns on investments is still key along with minimising the finance costs of debt.
  - Human Resources - there are no human resource implications to this report.
  - Equalities - there are no equality implications to this report.
  - Legal – Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146) and the *Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008* (SI 2008/414)
  - Crime and Disorder - there are no crime and disorder implications to this report.
  - Information Technology - there are no information technology implications to this report.
  - Property –there are no property implications to this report.
  - Other - the revised code requires officers and members to scrutinise and manage the treasury function.

### **Risk Management**

10. The treasury management function is a high-risk area because of the volume and level of large money transactions. As a result of this the Local Government Act 2003 (as amended), the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice 2011 (the code) are all adhered to as required.

### **Recommendations**

11. That Audit & Governance Committee note the Treasury Management Strategy Statement and Prudential Indicators for 2013/14 to 2017/18 at Appendix A.

Reason: That those responsible for scrutiny and governance arrangements are updated on a regular basis to ensure that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

## Contact Details

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Report  Date 13/02/13  
approved

**Specialist Implications Officer(s)** None

**Wards Affected:** *List wards or tick box to indicate all* **All**

**For further information please contact the author of this report**

### Background Working Papers

Local Government Act 2003 and amendments

CIPFA Prudential Code

CIPFA Treasury Management in the Public Services: Code of Practice  
and Cross-Sectoral Guidance ("the Code")

Treasury Management Strategy Statement and Prudential Indicators for  
2013/14 to 2017/18