

AUDIT COMMITTEE – 27 FEBRUARY 2015

Title of paper:	TREASURY MANAGEMENT 2015/16 STRATEGY	
Director(s)/ Corporate Director(s):	Glen O’Connell, Corporate Director, Resources	Wards affected: All
Report author(s) and contact details:	Geoff Walker, Director of Strategic Finance (Acting), 0115 8763740 geoff.walker@nottinghamcity.gov.uk	
Other colleagues who have provided input:	Glyn Daykin, Finance Analyst Treasury Management Tel: 0115 8763724 E-mail: glyn.daykin@nottinghamcity.gov.uk	
Recommendation(s):		
1	Audit Committee are asked to consider and comment on the proposed 2015/16 Treasury Management and Investment Strategies, attached as Appendix 1 , prior to its consideration by City Council on 9 March 2015.	

1. REASONS FOR RECOMMENDATIONS

The Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice and Prudential Code are both adopted by the Council. There is a requirement for authorities to nominate a body within the organisation to be responsible for scrutiny of treasury management activity. It is considered that the City Council’s Audit Committee is the most appropriate body for this function.

In undertaking this function, the Audit Committee holds the responsibility to provide effective scrutiny of treasury management policies and practices, and to deliver this in advance of the associated annual strategies being formally approved by Council in March. This provides an opportunity for detailed scrutiny and analysis of the Treasury Management and Investment Strategy by those charged with governance.

2. BACKGROUND

Treasury management is the management of an organisation’s borrowings and investments, the effective management of the associated risks and the pursuit of optimum performance or return consistent with those risks.

The treasury management function is governed by provisions set out under Part 1 of the Local Government Act 2003, whereby the City Council must have regard to the CIPFA Prudential Code and the CIPFA Code of Practice.

The City Council retains external advisors to provide additional input on treasury management matters. The service provided includes economic and interest rate forecasting, advice on strategy, portfolio structure, debt restructuring, investment policy, creditworthiness, credit ratings and other counterparty criteria and technical assistance on other related matters, as required.

3. **PROPOSED TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2015/16 (APPENDIX 1)**

This document sets the strategic context, within the Council's planning cycle, for how treasury management activity will take place in the forthcoming year. Within this context, the objectives of the strategy are:

- To achieve the lowest net interest rate costs on the City Council's external debt, whilst recognising the risk management implications
- To protect the Medium Term Financial Strategy (MTFS) from fluctuations in interest rates and to prevent the need for excessive borrowing in future years, when rates may be unfavourable
- To maintain the security and liquidity of external investments, and within those parameters, to seek to maximise the return on such investments.

The main elements of the proposed strategy for 2015/16 are:

- Borrowing strategy (**Appendix 1, page 4**)
- Debt rescheduling (**Appendix 1, page 6**)
- Debt repayment (Minimum Revenue Provision statement (**Appendix 4**))
- Housing Revenue Account strategy (**Appendix 1**)
- Investment strategy (**Appendix 1, page 6**)
- Prudential indicators (**Appendix 3**)
- Risk Management Action Plan (**Appendix 6**)

4. **BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION**

None.

5. **PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

None.