

CITY COUNCIL – 5 MARCH 2012

REPORT OF THE DEPUTY LEADER

TREASURY MANAGEMENT 2012/13 STRATEGY

1 SUMMARY

- 1.1 This report seeks approval for a series of strategies relating to treasury management in 2012/13. The strategies were considered as part of a number of reports on the 2012/13 budget process and were endorsed by Executive Board on 21 February 2012 and will be considered by Audit Committee on 2 March 2012.

All appendices to this report have been circulated as a separate handout.

A copy of the Executive Board report is included in Appendix 1 and full details of the strategies and other material referred to below are shown within that document. The specific strategies included are:

- the overall treasury management strategy for 2012/13 (Annex 1, pages 1-12);
- the strategy for debt repayment in 2012/13 (section 5 of Annex 1, page 6);
- the Housing Revenue Account Treasury Management Strategy for 2012/13 (section 6 of Annex 1, page 6);
- The investment strategy for 2012/13 (section 7 of Annex 1, page 7).

Approval is also required for the Prudential Indicators and limits from 2010/11 to 2014/15 (Appendix A within Annex 1, page 13).

In addition, revisions to the CIPFA Treasury Management Code of Practice require amendments to the Council's Treasury Management Policy Statement, which is shown in Appendix 2.

2 RECOMMENDATIONS

- 2.1 It is recommended that:

- 1) the 2012/13 treasury management strategy document, including the strategy for debt repayment and the investment strategy, detailed in Appendix 1 (Annex 1, pages 1-12) is approved;

- 2) the prudential indicators and limits from 2010/11 to 2014/15, detailed in Appendix 1 (Annex 1, page 13) are approved;
- 3) the revised Treasury Management Policy Statement, detailed in Appendix 2 is formally adopted by the City Council.

3 REASONS FOR RECOMMENDATIONS (INCLUDING OUTCOMES OF CONSULTATION)

- 3.1 To ensure compliance with the Code of Practice on Treasury Management in Public Services (the Code).

4 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

- 4.1 The approval of a treasury management strategy, including Prudential Indicators, is a requirement of the adopted Code, so no other options are available for consideration.

5 BACKGROUND

- 5.1 Treasury management is the management of the Council's cash flows, including borrowings and investments. It is regulated by CIPFA's Treasury Management Code of Practice
- 5.2 Treasury Management is subject to robust governance arrangements including legislation, government guidance, codes of practice and financial regulations. The approval of a strategy relating to treasury management, including a strategy for debt repayment and investment, is good practice and ensures that the City Council complies with the governance framework.
- 5.3 Prudential indicators for the forthcoming and following two financial years must be set before the beginning of that year. They may be revised at any time, following due process, with any changes to the current indicators being approved at a meeting of the full City Council.
- 5.4 On 21 February 2012, Executive Board considered a report detailing the proposed treasury management strategy for 2012/13. This report was endorsed, with a recommendation for approval by City Council. Scrutiny of the strategy will be addressed by a meeting of the Audit Committee on 2 March 2012 and any comments from that process will be reported at the Council meeting verbally.

6 **FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY)**

- 6.1 Total treasury management payments comprise interest charges and receipts and provision for repayment of debt. A proportion of the City Council's debt relates to capital expenditure on council housing and this is currently recharged to the Housing Revenue Account (HRA), and funded through the Housing Subsidy system. The remaining costs are included within the treasury management section of the General Fund budget. Table 1 sets out the budget for 2012/13:

TABLE 1: REVENUE BUDGET POSITION			
DESCRIPTION	BUDGET 2011/12 £m	FORECAST OUTTURN 2011/12 £m	BUDGET 2012/13 £m
External interest	23.703	25.686	30.277
Less: HRA interest	(11.629)	(11.786)	(12.781)
Debt repayment provision	16.631	16.113	31.426
General Fund expenditure	28.705	30.113	48.922
Investment interest	(1.885)	(1.611)	(1.501)
Prudential borrowing recharge	(1.303)	(0.678)	(0.562)
Transfer to / (from) Reserve	3.310	3.576	-
NET GEN. FUND POSITION	28.827	31.300	46.859

7 **RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS, CRIME AND DISORDER ACT IMPLICATIONS AND EQUALITY AND DIVERSITY IMPLICATIONS)**

- 7.1 Risk management plays a fundamental role in treasury activities, due to the value and nature of transactions involved. The management of specific treasury management risks is set out in the Manual of Treasury Management Practices and Procedures and a risk register is prepared for the treasury function.

The key Strategic Risk relating to treasury management is SR17 'Failure to protect the Council's investments'. The current rating for this risk is 5.3 (Likelihood is rated unlikely, Impact is rated moderate), which represents a reduction from the previous rating. Details of the current Risk Management Action Plan are provided in the Executive Board report (Appendix 1).

8 EQUALITY IMPACT ASSESSMENT (EIA)

An EIA is not required as the report does not relate to new or changing services or policies

9 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

9.1 Treasury management working papers.

10 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

10.1 Executive Board report - 21 February 2012

10.2 Audit Committee report - 2 March 2012

**COUNCILLOR GRAHAM CHAPMAN
DEPUTY LEADER**