

CITY COUNCIL – 4 MARCH 2013

REPORT OF THE DEPUTY LEADER

TREASURY MANAGEMENT 2013/14 STRATEGY

1 SUMMARY

- 1.1 This report seeks approval for a series of strategies relating to treasury management in 2013/14. The strategies were considered as part of a number of reports on the 2013/14 budget process. They were submitted for endorsement to Executive Board on 19 February 2013 and were also considered by Audit Committee, as part of its scrutiny role, on 15 February 2013.

A copy of the Executive Board report is detailed in Appendix 1 which has been circulated separately. 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 2013/14 (Annex 1, pages 1-13);
- the strategy for debt repayment in 2013/14 (section 5 of Annex 1, page 6);
- the Housing Revenue Account Treasury Management Strategy for 2013/14 (section 6 of Annex 1, pages 6 - 7);
- The investment strategy for 2013/14 (section 7 of Annex 1, pages 7 - 12).

Approval is also required for the Prudential Indicators and limits from 2012/13 to 2015/16 (Appendix A within Annex 1, page 14).

2 RECOMMENDATIONS

- 2.1 It is recommended that:

- 1) the 2013/14 treasury management strategy document, including the strategy for debt repayment and the investment strategy, detailed in Appendix 1 (Annex 1, pages 1-13) is approved;
- 2) the Prudential Indicators and limits from 2012/13 to 2015/16, detailed in Appendix 1 (Annex 1, page 14) are approved;

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 the subject of 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 Full Council.
- 5.4 On 19 February 2013, Executive Board considered a report seeking endorsement of the proposed treasury management strategy for 2013/14. Scrutiny of the strategy was addressed by a meeting of the Audit Committee on 15 February 2013.

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 charged to the Housing Revenue Account (HRA). The remaining costs are included within the treasury management section of the General Fund budget. Table 1 overleaf sets out the

budget for 2013/14:

TABLE 1: REVENUE BUDGET POSITION			
DESCRIPTION	BUDGET 2012/13 £m	FORECAST OUTTURN 2012/13 £m	BUDGET 2013/14 £m
External interest	30.277	29.152	30.929
Less: HRA interest	(12.781)	(12.384)	(11.605)
Debt repayment provision	31.426	25.923	32.583
General Fund expenditure	48.922	42.691	51.907
Investment interest	(1.501)	(1.209)	(1.182)
Prudential borrowing recharge	(0.562)	(0.566)	(0.516)
Transfer to / (from) Reserve	-	-	-
NET GEN. FUND POSITION	46.859	40.916	50.209

The above figures are included in the City Council's 2013/14 budget, which has been submitted for approval elsewhere on this agenda.

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 4.57 (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 (Annex 1, Appendix B).

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 - 19 February 2013

10.2 Audit Committee report – 15 February 2013

**COUNCILLOR GRAHAM CHAPMAN
DEPUTY LEADER**