

MEETING	AUDIT COMMITTEE
DATE	17 FEBRUARY 2015
TITLE	TREASURY MANAGEMENT REVISION OF THE TREASURY MANAGEMENT POLICY STATEMENT TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION STRATEGY AND ANNUAL INVESTMENT STRATEGY FOR 2015/16
AUTHOR	DAFYDD L EDWARDS – HEAD OF FINANCE
CABINET MEMBER	COUNCILLOR PEREDUR JENKINS

Introduction and Background

1. The Code of Practice for managing Treasury Management in Public Services published by CIPFA, requires the Council to prepare a Policy Statement and practice papers together with detailed schedules setting out the Council's approach to all treasury operations. The primary requirement of the Code is the approval by the Full Council of the Policy Statement, the practice papers and the schedules. These were approved by the Council at its meeting of 3rd March 2011. Changes have now been made to the practice papers and the schedules and the revised documents are attached as Appendices A, B and C. The main changes are as follows:
 - Inclusion of a risk matrix which will be used to define the instruments and counterparties to be used for investment purposes rather than a defined list each year.
 - Changes to committee and management structures since 2011.
 - Changes to the organisation chart of posts involved with treasury management.

2. The Welsh Assembly Government's Statutory Guidance on Local Government Investments ("The Guidance"), requires the Council, as part of its treasury management function to prepare an Annual Investment Strategy. The Guidance states that authorities can combine the Treasury Management Strategy Statement and the Annual Investment Strategy into one report. Gwynedd Council has adopted that suggestion, therefore the Annual Investment Strategy is included as section 5 of **Appendix CH**.

3. The Council is required by the Code and the Guidance to approve an annual Treasury Management Strategy Statement, an Annual Investment Strategy and a Minimum Revenue Provision Strategy prior to the commencement of each financial year. The proposed strategy for 2015/16 is detailed herewith as **Appendix CH**.
4. As Administering Authority of the Gwynedd Pension Fund the Council also undertakes treasury management investment functions on its behalf by combining the surplus cash held by the Council and the Pension Fund for daily investment purposes. The Pension Fund requests this annually as the returns received are improved and the risks reduced by combining the cash with the Council's funds. The Pensions Committee will approve the relevant elements of this Strategy Statement and request the continuation of the pooling arrangements for 2015/16 at its meeting on 24th March 2015.
5. In addition, the Local Government Act 2003 introduced a prudential framework for local authority's capital investment. The arrangements, which have been applicable from 1st April 2004 introduced a new system of governance for local authority capital expenditure, based largely on self regulation. The Prudential Code for Capital Finance in Local Authorities has been developed by CIPFA as a professional code of practice, with statutory backing, to support local authorities in taking decisions to spend capital. Key objectives are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable. Local authorities, before the beginning of each financial year, are required to set certain prudential indicators for the forthcoming and following years. Following the recent review, CIPFA has now introduced a new prudential indicator, "Upper limits on the proportion of net debt to gross debt" to highlight where an authority may be borrowing in advance of its cash requirement. The indicators, which are based on the capital and revenue budget proposals contained elsewhere on the agenda, are shown here in **Appendix D**.
6. With effect from 31st March 2008, the Welsh Assembly Government introduced the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 [the "Amendment Regulations"]. These Regulations introduce certain amendments to those introduced in 2003 [the "Original Regulations"] as part of the implementation of the Prudential Borrowing regime. Amongst the changes introduced is the requirement for an Annual Minimum Revenue Provision (MRP) Policy Statement.
7. The Original Regulations set out a statutory basis and a complex formula for the calculation of MRP. The Amendment Regulations only require a charge that is 'prudent', and authorities are permitted more discretion in terms of the charge levied, albeit within certain parameters. **Appendix DD** therefore also incorporates the Annual MRP Statement for 2015/16.

8. Members of the Audit Committee and the Cabinet Member for Resources were invited to a briefing meeting on 30 January 2015 with Arlingclose, the Council's Treasury Advisors, to discuss Treasury Management. Members were reminded of CIPFA's Code of Practice for Treasury Management as well as their roles and responsibilities as members for the Treasury Management function. The advisors highlighted the various current treasury risks, and spoke in detail about the credit and counterparty risks, interest rate risks and inflation risk. They also discussed the Council's debt portfolio, net borrowing position, and the prudential indicators.

Recommendation

8. **The Audit Committee is asked to recommend that the Full Council on 5th March should adopt the Treasury Management Policy Statement (Appendices A, B and C), the Treasury Management Strategy Statement and Annual Investment Strategy for 2015/16 (Appendix CH), the Prudential Indicators (Appendix D), the Minimum Revenue Provision Statement (Appendix DD) and the pooling arrangement with the Pension Fund for daily cash flow investment.**