
MEETING: **FULL COUNCIL**

DATE: **1 MARCH 2011**

TITLE: **TREASURY MANAGEMENT:**

i) **REVISION OF THE TREASURY MANAGEMENT POLICY STATEMENT FOLLOWING PUBLICATION OF A REVISED CODE BY CIPFA**

ii) **TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION STRATEGY AND ANNUAL INVESTMENT STRATEGY FOR 2011/12**

PURPOSE: **ADOPT THE POLICY AND PROPOSED STRATEGIES**

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PORTFOLIO LEADER: **COUNCILLOR SIÂN GWENLLIAN**

1. CODE OF PRACTICE

The Code of Practice for managing Treasury Management in the 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 4th March 2004. This code has been reviewed and the revised requirements are detailed herewith as **Appendices A, B and C**. **The main changes are as follows:**

- **Changes to committee and management structures since 2004.**
- **CIPFA definitions of each type of risk included.**
- **Changes in capital financing system since 2004.**
- **More emphasis on reporting and training in the new Code.**
- **Minor changes to operating systems.**

2. INVESTMENT STRATEGY

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. The Council has adopted that suggestion and the Annual Investment Strategy is therefore included as section 6 of **Appendix Ch**.

3. TREASURY MANAGEMENT STRATEGY

The Council is required by the Code and the Guidance to approve an annual Treasury Management Strategy Statement, MRP Strategy and an Annual Investment Strategy prior to the commencement of each financial year. The proposed strategy for 2011/12 is detailed herewith as **Appendix Ch**.

4. PRUDENTIAL INDICATORS

In addition, the Local Government Act 2003 introduced a new prudential framework for local authority's capital investment. The new arrangements, which were 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 these decisions. 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. The indicators which are based on the capital and revenue budget proposals contained elsewhere on the agenda are shown in **Appendix D**.

5. COUNTERPARTIES (BANKS)

The counterparty list (**Appendix Dd**) has been updated to reflect the latest recommendations. The two Spanish banks have been removed and 5 banks have been added to the list. Two banks have had name changes which have been amended on the list. These changes are noted in bold print on the list of Authorised Counterparties in **Appendix Dd** with the previous limits shown in brackets.

6. BORROWING

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. 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. The attached strategy in Section 8 of **Appendix Ch** therefore also incorporates the Annual MRP Statement for 2011/12.

7. CHANGES

As the Working Group for Specialist Financial Matters have carefully scrutinised the sections that have changed for the past two years and the changes this year are minimal the Group has not been convened this year. A briefing meeting has been held with the Portfolio Leader, Councillor Siân Gwenllian. The proposed changes from the existing strategy statement are as follows:

- Changes to specified and non-specified investments as detailed in Appendix Ch, Paragraph 6, Pages 36 - 38.
- Changes to the Counterparty list as detailed in Appendix Dd, Pages 44 - 45.
- Change to the MRP Strategy for capital loans under the Local Loans Fund scheme (Appendix Ch, Paragraph 8, Page 39).
- Update on interest forecasts and market commentary (Appendix Ch, Paragraph 3, Pages 33 - 34).
- Update on all forecasts to 2014 (Appendix Ch, Pages 32 - 35 and Appendix D, Pages 41 - 43).
- Update on the Council’s investment in Heritable Bank including amounts repaid to date and expectations for future repayments (Appendix E, Pages 46 - 47).

This report was presented to the Principal Scrutiny Committee on 17 February and the Board on 22 February, and I will be informing the Council of their recommendations.

RECOMMENDATION

8. **The Council is asked to adopt the Treasury Management Policy Statement (Appendices A,B and C), Treasury Management Strategy Statement, MRP Strategy and the Annual Investment Strategy for 2011/12 (Appendix Ch), the Prudential Indicators (Appendix D), and the changes to the Treasury Management Schedules (Appendix Dd).**