

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 18 FEBRUARY 2014**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **TREASURY MANAGEMENT STRATEGY 2014/15**

1.00 PURPOSE OF REPORT

1.01 To present to Members the draft Treasury Management Strategy for 2014/15 for recommendation to Council.

2.00 BACKGROUND

2.01 The Local Government Act 2003 requires all local authorities to have due regard to both the Chartered Institute of Public Finance and Accountancy's Treasury Management in Public Services: Code of Practice (The CIPFA Code of Practice) and Welsh Government guidance on Local Authority Investments.

2.02 The Council has adopted The CIPFA Code of Practice which requires:-

- The Council to create and maintain a Treasury Management Policy Statement which states the Council's policies, objectives and approach to risk management of its treasury management activities.
- The Council to create and maintain suitable Treasury Management Practices (TMPs) and accompanying schedules, stating how those policies and objectives will be achieved and prescribing how those activities will be managed and controlled.
- The Council to receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
- Responsibility for Treasury Management to be clearly defined. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to Head of

Finance, who will act in accordance with the organisation's policy statement and TMPs and, CIPFA's *Standard of Professional Practice on Treasury Management*.

- A body to be responsible for the scrutiny of Treasury Management Policy, Strategy and Practices. The Council has nominated the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management function. The Audit Committee has previously agreed to include treasury management as a standing item on each quarterly agenda to receive an update.

2.03 A training session open to all Members on treasury management was run by Arlingclose, the Council's Treasury Management advisors on the morning of 27th January. The aim of the workshop was to aid Members' understanding of the Treasury Management Strategy.

3.00 CONSIDERATIONS

3.01 The draft Treasury Management Strategy for 2014/15 is attached at Appendix 1. The changes made from the 2013/14 strategy are summarised below:

- Section 3 – Local context.
A new section bringing together current levels of borrowing and investments, along with the Council's projections for capital expenditure and use of reserves to estimate either the level of borrowing required, or the level of investments the Council will have, over the medium term.
- Section 5 – Investment Strategy.
Additional counterparties have been added to the list of organisations which the Council can invest its surplus funds with.
In preparation for amendments to building society regulatory framework, changes have been made to investments with building societies.
- Section 6 – Borrowing Strategy.
In 2013/14 the borrowing strategy was to create short term revenue savings by not undertaking any new borrowing and funding capital expenditure internally from reserves. In all probability the situation will remain the same in 2014/15 and possibly beyond, however this is not sustainable in the medium term. The borrowing strategy for 2014/15 will be to regularly review the level of internal borrowing against the potential for incurring additional revenue costs by deferring borrowing into future years when long-term borrowing costs are forecast to rise.

3.02 At a meeting of the Audit Committee on 29th January 2014 Members reviewed the draft Treasury Management Strategy for 2014/15. Discussion was as follows:

3.03 Investments

Members debated the inclusion in the 2014/15 Strategy of the ability to invest in any other organisation (that is, unrated organisations). There was recognition that this exposed the Council to additional risks, and in response Officers will develop an additional policy framework for consideration by members before any investments of this type are made, these changes have been reflected in the strategy. Members also recognised that this could be an opportunity to support local organisations such as credit unions, and potentially meet economic development or other policy aims subject to striking a balance with the security, liquidity and yield of the Council's surplus funds. The Committee recommended that the enquiry be put before Cabinet.

3.04 Debt

Queries had been raised regarding the Council's level of debt and the interest costs of the debt at the training session on 27th January 2014 and County Council on 28th January 2014, and a discussion regarding debt ensued at the Committee.

Members of the Committee recognised that in absolute terms the figures for debt and interest on debt are significant, however must be viewed in proportion to the level of assets that the Council has invested in over a very long period of time. There was recognition that the rate of interest charged on some loans were high by today's standards, however these loans were taken out at a time when those interest rates were the best available. The Committee is satisfied that processes are in place to review debt and to take debt rescheduling opportunities when appropriate (higher rated loans could be replaced by new loans at lower rates when the premium charged is not prohibitive).

3.05 On 1st March 2013 the Council approved the current Treasury Management Policy and Treasury Management Practices with both documents covering 3 financial years, 2013 to 2016. It was agreed that these documents would not require annual approval by Members, unless any significant changes was required. No changes need to be made to the Policy, and only minor changes need to be made to the Practices simply to bring them in line with changes approved to the Strategy.

4.00 RECOMMENDATIONS

4.01 That the Cabinet considers the enquiry put forward by the Audit Committee outlined in 3.03

4.02 That the Cabinet approves and recommends to the Council the Treasury Management Strategy 2014/15.

5.00 FINANCIAL IMPLICATIONS

5.01 As set out in the report.

6.00 ANTI POVERTY IMPACT

6.01 None directly as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None directly as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None directly as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None directly as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 Arlingclose Ltd as Treasury Management Advisers.

11.00 CONSULTATION UNDERTAKEN

11.01 Arlingclose Ltd as Treasury Management Advisers.

12.00 APPENDICES

12.01 Appendix 1 – Draft Treasury Management Strategy 2014/15

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

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